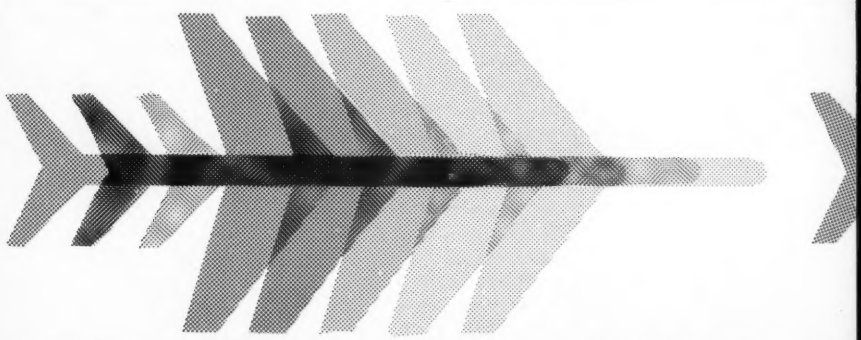
CAB 1.1: 978

CIVIL AERONAUTICS BOARD

REPORTS TO CONGRESS

FY 1978



"Declaration of Policy: The Board*

"Sec. 102. [*72 Stat. 740, 49 U.S.C. 1302*] in the exercise and performance of its powers and duties under this Act, the Board shall consider the following, among other things, as being in the public interest, and in accordance with the public convenience and necessity:

"(a) The encouragement and development of an air-transportation system properly adapted to the present and future needs of the foreign and domestic commerce of the United States, of the Postal Service, and of the national defense;

"(b) The regulation of air transportation in such manner as to recognize and preserve the inherent advantages of, assure the highest degree of safety in, and foster sound economic conditions in, such transportation, and to improve the relations between, and coordinate transportation by, air carriers;

"(c) The promotion of adequate, economical and efficient service by air carriers at reasonable charges, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices;

"(d) Competition to the extent necessary to assure the sound development of an air-transportation system properly adapted to the needs of the foreign and domestic commerce of the United States, of the Postal Service and of the national defense;

"(e) The promotion of safety in air commerce; and

"(f) The promotion, encouragement, and development of civil aeronautics."

*Public Law 95-504 (Airline Deregulation Act of 1978), which was enacted after the close of fiscal year 1978, amended the Declaration of Policy. *

CIVIL AERONAUTICS BOARD

REPORTS TO CONGRESS

FY 1978

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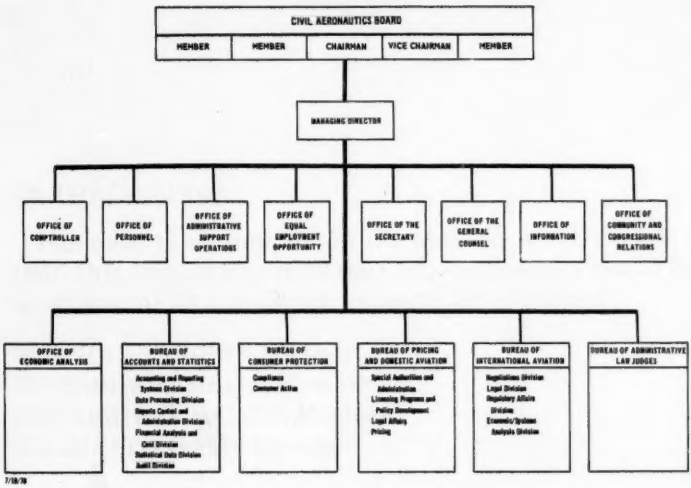
CIVIL AERONAUTICS BOARD
MEMBER
MEMBER
CHAIRMAN
VICE CHAIRMAN
MEMBER
MANAGING DIRECTOR
OFFICE OF COMPTROLLER
OFFICE OF PERSONNEL
OFFICE OF ADMINISTRATIVE SUPPORT OPERATIONS
OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY
OFFICE OF THE SECRETARY
OFFICE OF THE GENERAL COUNSEL
OFFICE OF INFORMATION
OFFICE OF COMMUNITY AND CONGRESSIONAL RELATIONS
OFFICE OF ECONOMIC ANALYSIS
BUREAU OF ACCOUNTS AND STATISTICS
Accounting and Reporting Systems Division
Data Processing Division
Reports Control and Administration Division
Financial Analysis and Cost Division
Statistical Data Division
Audit Division
BUREAU OF CONSUMER PROTECTION
Compliance
Consumer Action
BUREAU OF PRICING AND DOMESTIC AVIATION
Special Authorities and Administration
Licensing Programs and Policy Development
Legal Affairs
Pricing
BUREAU OF INTERNATIONAL AVIATION
Negotiations Division
Legal Division
Regulatory Affairs Division
Economic Systems Analysis Division
BUREAU OF ADMINISTRATIVE LAW JUDGES
7/15/70

CIVIL AERONAUTICS BOARD

TO THE CONGRESS:

Pursuant to section 205 of the Federal Aviation Act of 1958, this Annual Report of the Civil Aeronautics Board for fiscal year 1978 is herewith respectfully submitted.

MARVIN S. COHEN, *Chairman*
RICHARD J. O'MELIA, *Member*
ELIZABETH E. BAILEY, *Member*
GLORIA SCHAFFER, *Member*

September 1979

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the board

ALFRED E. KAHN, *Chairman*
Appointed June 10, 1977
Current term expires December 31, 1982

G. JOSEPH MINETTI, *Vice Chairman*
Appointed June 1, 1956
Current term expires December 31, 1979

LEE R. WEST, *Member*
Appointed November 21, 1973
Current term expires December 31, 1978

RICHARD J. O'MELIA, *Member*
Appointed November 26, 1973
Current term expires December 31, 1980

ELIZABETH E. BAILEY, *Member*
Appointed August 8, 1977
Current term expires December 31, 1983

June 1978

HIGHLIGHTS: REVIEWING FISCAL YEAR 1978

The Airline Deregulation Act of 1978 (Public Law 95-504) was enacted just after fiscal year 1978 ended, but many of the Civil Aeronautics Board's actions during the fiscal year, particularly in the area of fares, were calculated to make the industry more responsive to the marketplace, an evolution which P.L. 95-504 was designed to effect. The Act phases out domestic regulation of routes by the end of 1981, rates by the beginning of 1983, and CAB itself in 1985. The Act shifts policy guidelines for the Board to favor competitive air transportation, with guaranteed essential air service to small communities.

The CAB route program was more active in fiscal year 1978 than at any time in its 40-year history. Innovations leading to new regulatory initiatives and favorable economic conditions culminated in greater traffic growth, encouraging many and diverse air transportation interests to seek expanded authority. Route proceedings early in the fiscal year resulted in awards to carriers promising lower fares. The Board also moved toward non-hearing decisions in major show-cause proceedings when the nature of the incumbent's objections made formal adjudication unnecessary.

In formal proceedings, the Board's policy of freer market entry and exit sharpened the air industry's increasingly competitive environment. A characteristic of this trend has been the frequent award to small commuter carriers of authority lost or divested by certificated carriers.

Permissive Authority, Public Charters

In one of its boldest new policies the Board made all new authority permissive, giving marketplace forces greater decisional weight in the carrier's actions.

At the end of fiscal year 1978, the Board adopted the Public Charter rule terminating the previous charter restrictions, thereby enabling charters to compete more effectively with scheduled route carriers' discounted fares. In September 1978, the Board proposed consumer protection amendments to the Public Charter rule which requires disclosure of flight information and refunds to passengers if a charter

operator significantly changes travel packages. This rule became final in March 1979.

Competition and operating flexibility were increased for supplemental air carriers in 1978. An illustrative case is the *Former Larger Irregular Air Service Investigation* (Dockets 32327, 33361, 33362, and 33363), instituted in March 1978 to consider applications by new carriers for supplemental carrier authority. More than 60 applicants requested this authority. The Board divided the case into three phases based on the type of applicant—non-operating carriers once holding authority from the Board to provide irregular services, operating carriers, and new companies.

The Board also instituted rulemaking procedures for "split" cargo charters—charters with more than one person chartering an aircraft's capacity. In addition, the charter of unused cargo space on a passenger-chartered aircraft was allowed when the Board authorized World Airways and Capitol International Airways exemption authority to provide scheduled passenger service between the United States and points in Belgium, the Netherlands and Luxembourg, pending the Board's final decision in the *U.S.-Benelux Low Fare Proceeding (Docket 30790).*

Regulation of all-cargo air carriers and air freight forwarders was changed by P.L. 95-163 in November 1977, which diminished the Board's jurisdiction over domestic cargo air transportation. The CAB changed its policies affecting direct and indirect cargo air carriers, revoking elements of the Board's regulatory powers over domestic air freight, easing its ability to set or control market entry and exit, and easing its tariff filing requirements. The new law opened entry to the all-cargo air industry as of November 9, 1978, to "nongrandfathered" carriers (carriers providing domestic all-cargo air service during the previous year). This class of carrier was not required to obtain prior Board approval of control and interlocking relationships.

In March 1978, the CAB instituted rulemaking proceedings proposing substantially less regulation over indirect air carriers of cargo (air freight forwarders and cooperative shippers' associations). Tariff filing requirements were terminated for both direct and indirect cargo carriers.

The air freight forwarding industry generated $1.2 billion in 1977, yielding an operating profit of $67 million, and traffic increased; forwarders consolidated more than one million tons of freight for carriage by direct air carriers.

The Board recognized the growing importance of the air taxi operators, and altered its regulations to allow them greater flexibility to serve the public. For example, it authorized an increase in the size and weight of all-cargo aircraft from a payload of 7,500 pounds to 18,000 pounds.

Control, Interlocking Relationships

The Board also focused attention on control and interlocking relationships, certain types of which are prohibited by law without prior Board approval. The CAB addressed 127 such cases, including the *International Air Service Company, Acquisition of Control of Aloha Airlines, Inc.,* (Docket 29323). In that case, the Board approved the acquisition of an inter-island carrier by a company whose business was commercial pilot training and aircraft leasing. The acquiring firm was already providing these training services to a major foreign carrier that was an interline partner with Aloha. The Board declared that its approval, which in effect conveyed antitrust immunity, extended only to the stock transactions and not to any effects outside of air transportation factors. In the *Air Carrier Reorganization Investigation, et. al.,* (Docket 23283), the Board approved the formation of parent holding companies as part of a corporate reorganization of certain certificated carriers and permitted diversification into non-air transportation industries. The U.S. Court of Appeals of the District of Columbia Circuit vacated and remanded that order. The Board then terminated the proceeding, stating its belief that the new deregulatory climate would minimize the negative affects of air carrier diversification.

In fiscal year 1978, there were more new and innovative fares, and price competition was intense. Several domestic carriers filed so-called "tag end" or "short stop" fares to induce passengers to fly on low load factor, beginning or ending segments of longer haul flights. In addition, "fill up" fares were filed to induce passengers to use domestic segments of international flights. These and other discount fares filed by U.S. carriers were intended to fill otherwise empty seats. Truck and local service carriers' combined net income was $1.207 billion for the year, compared with a fiscal year 1977 net of $593 million.

In August 1978, the Board issued new passenger-fare/policy guidelines significantly impacting on domestic fares. The guidelines superseded most policies of the *Domestic Passenger Fare Investigation,* and were designed to stimulate market-by-market competition free of government regulation. They also largely codified policies the Board had been following informally since early 1977. The new rules give carriers greater flexibility to experiment with fares tailored to their own costs and markets without risking Board suspension of the fares.

Change in International Policy

Bilateral negotiations in the post-war era have aimed to balance the U.S. interests in greater capacity and operating flexibility against foreign carriers' desire for more access to the U.S. markets. In the past, the interests of foreign carriers in entry and market shares often took

precedence over the interests of the traveling public, with benefits of competition—lower fares and greater variety of service—considered secondary. But the United States-United Kingdom Bilateral agreement (Bermuda II) was the last instance of countries trading restrictions rather than competitive opportunities.

One objective in the current international policy is a system of bilateral agreements forming a basic framework for an international air transportation system. These agreements would encourage and permit new price and service options. This network of agreements would help eliminate unfair practices faced by U.S. carriers in international transportation. The United States has signed liberal bilateral agreements with the Netherlands, West Germany, Israel, Korea and Jamaica. These agreements are major steps toward an international aviation system relying on forces of the marketplace rather than government regulation.

The benefits of promoting competition and expanding opportunities extended beyond domestic markets in some cases. The most important features of agreements negotiated with the Netherlands, Belgium and several other nations included the affirmation of competition and the introduction of innovative and liberalized pricing articles. One new article, for example, established that prices are subject to policies of the country of passenger origin. Another, pertaining to double disapproval pricing, provides that any fare a carrier offers goes into effect unless both countries involved disapprove it.

Other agreements by the Board established lower fares in several foreign nations, including Great Britain and Scandinavia. Ultimately, fares were lower during fiscal year 1978 than in all of the preceding year, despite inflationary pressures. Also, expanded opportunities to use cheaper economy and excursion fares through reduced restrictions such as "minimum stay" requirements, made cheaper air travel more available to the traveling public. Fewer restrictions have led to greater carrier operating flexibility and more competitive schedules, due in part to the Board's new policy of allowing local fill-up rights on domestic portions of international routes. Most carriers showed increased profits in the first three quarters of 1978, a year of reduced regulation and new route opportunities.

Accounting, Auditing Functions Merged

In many decisions the Board relies heavily upon the economic, statistical, and accounting components of the CAB. To ensure better support in this area, the Board merged the accounting and auditing functions to provide support to programs that it anticipated may result from regulatory reform. These programs include the small communities

program and subsidies for providing essential air service. In fiscal year 1978 seven local, two regional and three Alaskan carriers were subsidized, and the Board conducted recurring annual audits to verify the bases for subsidy claims and for adjusting payment rates. One instance involved Air Midwest, a recently certificated regional carrier operating under a temporary subsidy rate. The audit provided data for a final subsidy rate.

During the fiscal year, the Board provided technical assistance to other government agencies, airline companies and the public on accounting and other disclosure matters. The Board assisted the Securities and Exchange commission with a wide range of financial and operating facts contained in seven registration and proxy statements filed by regulated carriers with the Commission. The Board also issued several industry letters of interpretation to develop uniform accounting standards, thus improving data bases the Board uses for its decisions. Of primary importance among these was the accounting and disclosure standards for lease capitalization and charter substitute service operations.

Eliminating Excessive Record Keeping

To minimize differences in carrier accounting practices and those used in the Board's Uniform System of Accounts and Reports, the Board worked to ensure that its accounting requirements conformed with the generally accepted accounting and regulatory principles recognized by the accounting profession. This is premised on the Board's position that a company should not need to keep two set of records for one set of transactions. therefore, as new standards of accounting are adopted by institutions such as the Financial Accounting Standards Board or the American Institute of Certified Public Accountants, they are incorporated into the Board's industry accounting system. A prominent standard issued in fiscal year 1978 was the accounting and disclosure principle for restructuring troubled debt and for foreign exchange fluctuations.

Some areas of accounting remain unique to the air carrier industry. Deregulation will attract more carriers, mainly small and struggling to survive in the competitive market, with accountants who are small practitioners. These new carriers will need to bridge the accounting gap. To help bring uniformity to accounting areas exclusive to the airline industry, the Board has worked with the American Institute of Certified Public Accountants' Subcommittee on Aeronautics to develop an audit guide for the industry. The guide will provide authoritative pronouncements from the private sector, and will give many new carriers guidance. It should also ensure carrier adherence to the prevailing accounting standards widely used and prescribed by the CAB.

Increased Attention for Consumers

To ensure that consumer interests coming before the Agency are adequately represented and to increase its effectiveness in antitrust enforcement matters, the Board on July 10, 1978, merged its Bureau of Enforcement with its Office of Consumer Advocate, to form the Bureau of Consumer Protection. The Board also placed increased emphasis on consumer problems in field offices, where consumer problems with airlines, airports and ticketing agents, among others, can be directly addressed.

During the year, the Board began a comprehensive examination of the contracts between airlines and passengers, which are contained in passenger rules tariffs filed with the Board. It established a task force to identify the tariffs which set forth the basics of passenger rights and carrier responsibilities, in many cases exculpating the carriers from responsibilities for consumer problems, and to investigate whether any of these provisions are unjust or unreasonable. The rules tariff task force also began to develop a program to improve the manner in which important contract provisions are disclosed to the public. In addition, the Board's former Bureau of Enforcement issued an industry letter in March 1978, assuring the carriers that the Board would not prosecute carriers in cases where they disregard tariffs in order to settle consumer complaints. The Bureau's Legal Division prosecuted 17 consumer cases in Federal Courts and handled 88 administrative complaints on behalf of consumers in disputes involving failure of airlines to compensate passengers denied boarding when they held reservations, and, particularly, violations by tour operators of the Board's bonding requirements and escrow accounts. (*CAB v. Tour Travel Interprises, et al.*).

Through the Bureau the Board also investigated questionable accounting practices of some carriers and enjoined an air freight forwarder from pursuing a "kickback" scheme to its shippers (*CAB v. J.D. Smith InterOcean, Inc.*) It was the first case prosecuted by the Bureau involving commercial bribes to obtain and retain accounts.

Antitrust Actions

The Board's antitrust actions in fiscal year 1978 focused on airline merger cases, including the *Texas International-National Acquisition Case*, (Docket 33112) and the *Pan American Acquisition of Control of, and Merger with National* (Docket 33282). Texas International sought to acquire control of National through large purchases of common stock, while Pan American was seeking a merger with and control of National through stock purchases. BCP participated in both hearings, holding that both the attempted merger and control acquisitions were contrary to consumer interests and antitrust laws.

Personnel Questions

Within the Board, its Affirmative Action programs have resulted in employment and advancement of minorities and women in key professional positions. The Board has conducted an extensive number of seminars illustrating the effect of EEO programs on Board employees and supervisors.

Enactment of the Airline Deregulation Act has necessitated publication during fiscal year 1979 of the more recent precedential cases affecting regulatory proceedings in the Board's formal case reports, "CAB Reports." Commencing with Volume 72, succeeding volumes will be published on an expedited schedule. Volume 64 is the latest volume distributed. Because Volume 65 through 71 will not be published until after a current status is attained, specific page numbers will not be referenced for orders appearing in those volumes.

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ROUTE PROGRAM

INTRODUCTION

The CAB route program entered its most active phase in the history of the Board during the fiscal year under review. The Board acted to speed its processes and introduced unprecedented substantive and procedural innovations. The combination of new regulatory initiatives and favorable economic conditions caused traffic growth to accelerate and further encouraged civic interests and all elements of the airline industry—including wholly new entrants and intrastate and supplemental carriers—to seek expanded operating authority.

Orders instituting route proceedings in the early part of the year provided that offers of price reduction would be taken into account in determining which carriers among the applicants would be selected. In a latter innovation on the same theme, the Board gave priority to hearing route applications promising lower fares. In July 1978 the Board handed down a tentative opinion in the *Chicago-Midway Low-Fare Route Proceeding* (Docket 30277) after a full comparative hearing which proposed to award permissive authority to all fit applicants. Adopting a policy of "multiple-permissive" entry in selected cases did not, however, result in the abandonment of full evidentiary hearings with the numerous procedural steps involved. The Board began the process of moving toward non-hearing adjudications in respect to valuable route authority in two major show cause proceedings in which the Board determined in findings set forth in the instituting orders that hearings were not necessary to resolve incumbent carriers' objections (Piedmont's application to serve Boston) and comparative selection (*Oakland Service Investigation*, Docket 30699).

In *Piedmont* the Board decided, as a policy matter, that it would not allow objections of incumbent carriers to force the Board to hold a full evidentiary hearing on an application for competitive route authority if the new applicant made a reasonable, sound evidentiary showing. Effectively, this eliminated the need for hearings with respect to the objections of incumbent carriers. The policy was followed in several subsequent nonhearing cases, one of which was decided in the fiscal year

(Eastern's Application to Serve Albany). The second and more important innovation was the Board's decision to eliminate the issue of comparative selection in *Oakland*. In that case, the Board issued a show-cause order proposing to grant multiple permissive authority, and provided for hearings in two concurrent phases limited to a minimum non-comparative economic showing and fitness. These route initiatives, and the cumulative potential threat of additional route competition, contributed in part to the decline in prices, in real terms, of about 8 percent during the year. Together with a buoyant economy the price reductions resulted in a rapid increase in demand which, in turn, encouraged the carriers to apply for extensive new route authority.

SHOW-CAUSE PROCEEDINGS—DOMESTIC SCHEDULED SERVICE

Under its policy of improving the speed with which route cases were completed, the Board implemented show-cause procedures in removing operating restrictions and also in awarding certain types of new route authority. Trunkline route realignments by show-cause were prevalent. Many non-realignment cases now require as little as two to three months from issuance of the first order to completion. Thus, these non-hearing procedures have become important to increasing efficiency.

A total of 79 show-cause orders were issued during the period. Of these, 6 were route realignments and 44 were restriction removal cases for other carriers under the route realignment guidelines established by the Board. One realignment from a prior period was during fiscal year 1978, as were 4 other show-cause proceedings. The Board also made final 21 of the show-cause proceedings instituted during this fiscal period, including the addition of Albany, N.Y. to Eastern's route, Boston to Piedmont's route, and Hartford to Air New England's route. In addition, 4 route realignments, 30 related show-cause proceedings, and 6 other show-cause orders instituted during the fiscal year were made final within six months of the close of the period.

FORMAL PROCEEDINGS—DOMESTIC SCHEDULED SERVICE

The Board moved toward a system of freer entry and exit during fiscal year 1978 as it perceived the need for a more competitive environment in air transportation. A large number of route cases were instituted, and, where a need was established for additional service, the Board made initial awards on traditional carrier selection grounds but left open the possibility of authorizing additional carriers. A number of new carriers were awarded certificates during the period, including

several commuter air carriers requesting certificate authority to replace services which larger certificated air carriers were going to withdraw. The Board developed a policy of making all new authority permissive in order to let the forces of the marketplace have a greater decisional weight in the actions of individual carriers.

The Board instituted two large proceedings dealing with service to satellite airports, in an effort to encourage the use of underutilized facilities at Midway and Oakland. A new emphasis was placed on the environmental impact of new route awards, and the Board made a concerted effort to balance the public interest aspects of proposed new services against any potential detrimental effect on the environment which might result. And emphasis was placed on being responsive to the needs of the traveling public, especially those at medium and small communities. Finally, the Board continued to encourage low-fare services, and several route proceedings were instituted with the specific purpose of bringing the advantages of fare choice to the consumer. The expedited procedures of subparts M (Local Service Carriers) and N (Trunkline Carriers) of CAB Regulations for removal of restrictions on operating authority also played a part in streamlining the Board's route program.

During the 12-month period, the Board instituted 39 hearing cases, four of which were low-fare proceedings. In addition, 7 cases were set down under the expedited hearing procedures of subparts M and N. Decisions were rendered in 20 regular hearing cases, one low-fare case, and 9 subpart M and N cases, 5 of which had been instituted during the period.

NEW CERTIFICATION

The Board reached decisions in a number of formal proceedings involving new authority for formerly uncertificated carriers. Colonial Airlines received a new certificate to provide scheduled service between Morristown/Newark, on the one hand, and Boston and Baltimore/Washington, on the other. In a separate show-cause proceeding, a pre-trial restriction precluding single-plane service between Boston and Baltimore/Washington was removed. Cochise Airlines, a commuter carrier operating in Arizona, and Sky West Airlines, a Utah-based commuter, received new certificates in the *Arizona Service Investigation* (Docket 30635). Cochise's certificate contained nine Arizona points, two California points, and terminals at Las Vegas and Los Angeles. Sky West's certificates contained the points Las Vegas, Page, and Phoenix.

Air Wisconsin, a commuter carrier, obtained a certificate to serve points in Nebraska, Minnesota, Wisconsin, Illinois, Indiana, and

Michigan. In the *Chicago-Midway Low-Fare Route Proceeding*, two new carriers received certificates—Midway Airlines and Midway (Southwest). Both carriers were authorized to provide service in six Midway markets. A complete list of the points authorized to all of these carriers appears below.

The following tables show formal proceedings that were decided or instituted during the fiscal year, and the points at which new certificated services were authorized either in formal proceedings or in show-cause proceedings.

Formal Proceedings Decided

	Title	Order Number
	Greenville/Spartanburg-Washington/New York Subpart M Case	77-10-1
	Cincinnati-Washington Subpart M Proceeding	77-10-4
	Eastern Air Lines, Inc., Piedmont Aviation, Inc., Route Exchange Agreement	77-11-45
	Albuquerque-Phoenix Subpart M Proceeding	77-11-114
	Phoenix-Des Moines/Milwaukee Route Processing	78-1-116
	Sacramento-Denver Nonstop Case	78-1-116
*	Ohio/Indiana Points Nonstop Service Investigation	78-2-71
	Atlanta-Charleston, S.C. Competitive Nonstop Case	78-2-114
	Additional Dallas/Ft. Worth-Kansas City Nonstop Service Case	78-2-115
#	Spokane-Montana Points Service Investigation	78-2-116
*	Memphis-Twin Cities/Milwaukee Case	78-3-35
*	Improved Authority to Wichita Case	78-3-78
	Lake Tahoe Service Investigation	78-5-77
	Baltimore-Detroit Nonstop Proceeding	78-5-112
	Bismark-Fargo-Twin Cities-Chicago Subpart M Proceeding	78-6-12
	Nashville-Cleveland Subpart M Proceeding	78-6-13
*	Louisville Service Case	78-6-21
*	Service to Brunswick and Savannah Case	78-6-93
	Cincinnati-Cleveland Nonstop Service Case	78-6-168/69
	Colonial Airlines, Inc.	78-6-183
*	Iowa/Illinois-Atlanta Route Proceeding	78-7-23
*	Phoenix-Las Vegas-Reno Competitive Nonstop Service Proceeding	78-7-43
*	Las Vegas-Dallas/Ft. Worth Nonstop Service Investigation	78-7-116
*	Norfolk-Atlanta Subpart M Proceeding	78-7-127
	Atlanta-Hartford Subpart N Proceeding	78-8-66
*	TWA-Southern Route Exchange	78-8-92
	Hughes Airwest Subpart M Case	78-8-134
	Arizona Service Investigation	78-8-195
	Air Wisconsin Certification Proceeding	78-8-196
	Chicago-Midway Low-Fare Route Proceeding	78-8-203
	St. Louis-Louisville & San Francisco Bay Area Nonstop Case	77-10-26
	Southeast Alaska Investigation	77-10-117
	Northwest Alaska Service Investigation	77-10-118
	California-Nevada Low-Fare Route Proceeding	77-10-136
	Chicago-Albany/Syracuse-Boston Competitive Service Competition	77-12-50
@	Colonial Airlines, Inc.	77-12-61
@	Hughes Airwest Subpart M Proceeding	77-12-65
@	Bismarck-Fargo-Twin Cities-Chicago Subpart M Proceeding	77-12-66
	Baltimore/Washington-Houston Low-Fare Case	77-12-115
	Houston/New Orleans-Tampa/Orlando Investigation	77-12-141
	Twin Cities-Las Vegas/Phoenix/San Diego Route Proceeding	78-1-20
	Miami-Los Angeles Low-Fare Case	78-1-35

St. Louis/Kansas City-San Diego Route Proceeding	78-1-132
Pittsburgh-Orlando-Daytona Beach Route Proceeding	78-2-42
Boise-Denver Nonstop Proceeding	78-2-68
Twin Cities-Kansas City-Oklahoma-Texas Route Proceeding	78-2-76
Austin/San Antonio-Atlanta Service Investigation	78-2-97
Las Vegas-Houston Competitive Service Investigation	78-2-100
Dallas/Ft. Worth-Tucson Investigation	78-2-122
@ Nashville-Cleveland Subpart M Proceeding	78-3-68
Phoenix-Salt Lake City Service Investigation	78-3-157
Dallas/Ft. Worth-Philadelphia Service Investigation	78-4-6
San Antonio-Denver Route Proceeding	78-4-30
St. Louis-Kansas City Subpart M Proceeding	78-4-108
Baltimore/Washington-St. Louis Route Proceeding	78-4-132
@ Atlanta-Hartford Subpart N Proceeding	78-5-57
Oakland Service Case	78-6-3
Denver-Alaska Service Investigation	78-5-125
Northwest Airlines, Inc. Subpart N Proceeding	78-5-126
Tucson-San Diego Nonstop Route Investigation	78-5-127
San Francisco-Reno-Albuquerque-Texas Service Investigation	78-5-128
Dallas/Ft. Worth-New Orleans-Florida Service Investigation	78-5-129
Omaha-Dallas/Ft. Worth Subpart N Proceeding	78-5-150
Houston-Phoenix/Tucson Competitive Service Case	78-5-109
St. Louis-Denver-Las Vegas/Reno Route Investigation	78-6-191
Chicago-Midway Expanded Service Proceeding	78-7-41
Florida Service Case	78-7-128
Louisville-Kansas City Nonstop Route Investigation	78-8-94
California-Arizona Low Fare Route Investigation	78-8-103
St. Louis-Little Rock-New Orleans Service Investigation	78-8-95
New Orleans-West Service Investigation	78-8-122
Texas International Airlines-National Airlines Acquisition Case and Enforcement Investigation	78-8-150
North Central Airlines-Southern Airways Merger Case	78-8-172
Houston Service Investigation	78-9-29
The Roanoke-Pittsburgh Service Investigation	78-9-61
Atlanta-Memphis Service Investigation	

*Additional awards issue deferred.
#Case subsequently re-opened.
@Completed during the fiscal year.

Points Authorized to One New Carrier

Point	Carrier
Albany, N.Y.	Eastern
Appleton, Wisc.	Air Wisconsin
Battle Creek, Mich.	Air Wisconsin
Blythe, Cal.	Cochise
Brunswick, Ga.	Southern
Denver	Southern
Des Moines	Airwest
Detroit	Air Wisconsin
El Centro, Cal.	Cochise
Elkhart, Ind.	Air Wisconsin
Flagstaff, Ariz.	Cochise
Ft. Wayne, Ind.	Air Wisconsin
Grand Canyon, Ariz.	Cochise
Hartford	Air New England
Houston	Allegheny
Indianapolis	Wright Air Lines
Kansas City	Texas International
Kingman, Ariz.	Cochise

Lafayette, Ind.	Air Wisconsin
Lincoln, Neb.	Air Wisconsin
Los Angeles	Cochise
Morristown, N.J.	Colonial
Nashville	Airwest
Newark	Colonial
Prescott, Ariz.	Cochise
Reno	Delta
Sacramento	Frontier
Spokane	Frontier
Tampa/St. Petersburg/Clearwater	Southern
Tucson	Cochise
Washington, D.C.	Colonial
Wichita, Kans.	Southern
Winslow, Ariz.	Cochise
Yuma, Ariz.	Cochise

Points Authorized to Two or More New Carriers

Atlanta	Frontier, Ozark
Baltimore	North Central, Colonial
Boston	Piedmont, Colonial
Chicago	Air Wisconsin
Chicago (Midway)	Midway Airlines, Midway (Southwest), North Central, Northwest
Cleveland	Delta, Southern
Las Vegas	Continental, Braniff, Cochise, Sky West, Texas International
Louisville	Airwest, Southern
Milwaukee	Airwest, Southern
Minneapolis/St. Paul	Southern, Air Wisconsin
Page, Ariz.	Cochise, Sky West
Philadelphia	North Central, Ozark
Phoenix	Cochise, Sky West
Savannah, Ga.	Southern, Eastern

INFORMAL PROCEEDINGS—DOMESTIC SCHEDULED SERVICE

The Board issued 29 orders permitting carriers to operate services requiring exemption authority during the fiscal year. Another 13 orders were issued authorizing temporary suspensions of service at domestic points, and 12 orders were issued authorizing local service carriers to overfly certain points after providing somewhat less than the level of service specified in the carriers' certificates.

ALASKA

During 1978 hearings in three major Alaska route cases were held. These were the *West Coast-Alaska Service Investigation, Northwest Alaska Service Investigation* and the *Southeast Alaska Investigation*. The *Northwest Alaska* case involved the possible certification of a new

carrier. At year end the decisions in all three cases were pending. In addition to these hearings, the Board instituted the *Denver-Alaska Service Investigation*. 1978 was also characterized by a continuation of the trend of the largest Alaskan carriers to subcontract bush services to commuter carriers using smaller and generally more suitable equipment.

CHARTER REGULATIONS

Near the end of fiscal 1978 the Board adopted the liberal Public Charter rule which removed most of the restrictions that had existed in charter rules adopted earlier, all of which were then terminated (advance booking charter, one-stop inclusive tour charter, inclusive tour charter, travel group charter, and study group charter). This rule enabled charters to compete more effectively with the discounted fares which a number of scheduled route carriers began offering in mid-1977.

Because of the impact of the discount scheduled fares, the total number of charter programs filed with the Board by charter operators fell from an average of 242 a month in 1977 to 184 a month in 1978.[1]

In September 1978 the Board proposed a number of consumer protection amendments to the Public Charter rule, which would require charter operators to disclose certain information concerning the flight when soliciting participants, and which would also entitle participants to refunds if the charter operator made certain major changes in their tour packages.

SUPPLEMENTAL AIR CARRIERS

A total of 10 U.S. supplemental air carriers held certificates of public convenience and necessity as of September 30, 1978.

During the year the Board took a number of actions involving this class of air carrier. Many of the decisions were designed to increase competition in the airline industry; others were aimed at enhancing the operating flexibility of the supplemental carriers and improving their competitive opportunities under the Board's more relaxed regulatory environment begun during the previous year.

In March 1978 the Board instituted *The Former Large Irregular Air Service Investigation* (Dockets 32327, 33361, 33362, 33363) to consider applications by new carriers for supplemental carrier authority. The response to the Board's invitation for new entrants in the charter area was tremendous—over 60 applicants requested authority. Hearings on the applications were begun in late 1978. In an attempt to defray costs

[1]The yearly totals were 3,637 in 1977, and 2,213 in 1978; however, the 1977 figure reflects that year's 15-month reporting period.

to new entrants, the Board waived the traditional fee for filing an application. In addition, to expedite the licensing process the Board divided the case into three phases based on the nature of the applicant—non-operating carriers that once held authority from the Board to provide irregular air services; operating entities; and new companies.

During March the Board also instituted a rulemaking which would allow "split" cargo charters (more than one person chartering the capacity of an aircraft). The charter of unused cargo space on passenger chartered aircraft likewise would be permitted.

In September 1978, two supplemental carriers (World Airways and Capitol International Airways) were awarded exemption authority to provide scheduled passenger service between the United States and points in Belgium, The Netherlands, and Luxembourg pending the Board's final decision in the *U.S.-Benelux Low Fare Proceeding* (Docket 30790).

Also before the Board was a decision in the *Transcontinental Low-Fare Proceeding* (Docket 30356), which included applications from three supplemental air carriers for domestic scheduled authority. In August, the Administrative Law Judge assigned to the case issued a decision recommending that World Airways be certificated to provide scheduled service.

The Board also is considering Evergreen International Airlines' request to extend authority to Central/South America, Transpacific, and Trans-Atlantic markets.

ALL-CARGO AIR CARRIERS/AIR FREIGHT FORWARDERS

Fiscal year 1978 was eventful for the cargo air transportation industry. After enactment of P.L. 95-163 on November 9, 1977, which substantially reduced the Board's jurisdiction over domestic cargo air transportation, the Board made numerous changes in its policies governing both direct and indirect cargo air carriers.

In accordance with the new law, the Board, in January 1978, issued "grandfather certificates" to 23 certificated carriers and 51 air taxi operators which had provided domestic all-cargo air service during the previous year. The Board also adopted a new economic regulation which exempted this class of carrier from various provisions of the Act including the requirements to obtain prior Board approval of control and interlocking relationships, and of agreements with other common carriers.

Under the new law, entry into the all-cargo carrier industry opened to other (non-grandfather) carriers commencing November 9, 1978. To

further implement P.L. 95-163, the Board in July 1978 proposed regulations for this class of carrier which contemplated the deletion of the tariff filing requirement and modified reporting requirements. The regulations, which were made final in November 1978, also established a transition period for the tariffs which extended through March 15, 1979.

Recognizing that the deregulation of direct air carrier cargo service required comparable changes in the regulation of indirect air carriers of cargo (air freight forwarders and cooperative shippers associations), the Board, in March 1978, instituted a rulemaking proposing to lessen substantially the Board's regulation over these companies. Of particular significance were the proposals that air freight forwarders register with the Board rather than be licensed, and that they no longer file tariffs. The rule changes were accomplished after the close of the year.

At the end of fiscal year 1979, a total of 411 air freight forwarders held operating authorizations from the Board. Of these, 256 held both domestic and international authority; 76 held domestic authority only and 79 international authority only. The forwarding industry generated $1.2 billion in revenues in calendar year 1977, for an operating profit of over $67 million. Traffic also increased, with forwarders consolidating over 1 million tons of freight for carriage by direct air carriers.

AIR TAXI OPERATORS

The number of air taxi operators (noncertificated air carriers) registered with the Board continued to increase and totaled 4,042 at the end of fiscal year 1978. Of this number, 295 were classified as commuters—operators which either transport mail or perform scheduled passenger or cargo services. In addition, the Board issued 36 exemptions to air taxi operators to use "large aircraft" in various markets and geographic areas.

Recognizing the growing importance of these operations, the Board made significant changes in its regulations to provide greater flexibility for air taxis in serving the public. For example, the Board increased the permissable size and weight of all-cargo aircraft operated in the 48 contiguous states, Alaska and Hawaii, from 7,500 pounds payload to 18,000 pounds. In another rulemaking the Board is considering whether to increase the passenger limit on air taxi aircraft from 55 to 60 seats.

The Board also requested public comment on whether air taxi operators and commuter carriers should be permitted to operate special regulation charter flights (advance booking charters, travel group charters, inclusive tour charters, one-stop inclusive tour charters, and study group charters). The proposal was awaiting final decision at year end.

CONTROL AND INTERLOCKING RELATIONSHIPS

The Federal Aviation Act of 1958 prohibits certain control and interlocking relationships without prior Board approval. During the year the Board acted on 127 of these cases in actions that ranged from summary orders granting exemptions to full evidentiary hearings. In *International Air Service Company, Acquisition of Control of Aloha Airlines, Inc.*, (Docket 29323) the Board approved the acquisition of a certificated inter-island carrier by a company offering commercial pilot training services. The acquiring firm provided these services to a major foreign carrier that was a substantial interline partner with Aloha, and in its decision, the Board specifically declared that its approval, and hence, antitrust immunity, extended only to the stock acquisition transactions, and did not extend to effects outside of air transportation.

In other major investigations, the U.S. Court of Appeals for the District of Columbia Circuit in November 1977, vacated and remanded to the Board its orders in the *Air Carrier Reorganization Investigation*, (Docket 24283, *et al*). Such orders approved plans for the formation of parent holding companies as part of the corporate reorganization of certain certificated air carriers (Braniff, The Flying Tiger, and United), and permitted air carrier diversification into businesses other than air transportation. Following the court's mandate, the Board received for consideration a staff recommendation to terminate the proceeding on the ground that, in the current deregulatory climate, the Board could rely on competition, rather than on close regulatory surveillance, to minimize risks of air carriers' corporate diversification.

Progress continued in the *Institutional Control of Air Carriers Investigation* (Docket 26348), which is an informal inquiry into the relationships between certificated air carriers and financial institutions that are airline stockholders, creditors, or lessors of airline flight equipment. The inquiry proceeded from the data collection stage, wherein the receipt of documents and written responses were followed up by personal interviews of industry executives, to a period of collation, summarization and analysis of this data. The preliminary drafting of conclusions and recommendations is in process with the final report expected in mid-1979.

Consistent with P.L. 95-163, the Board by rulemaking liberalized its policy toward interstate and overseas all-cargo carriers by permitting without prior approval interlocking and control relationships among members of this class of carrier. Similar relief was proposed for air freight forwarders.

MERGERS

The Federal Aviation Act prohibits the merger of two air carriers or the acquisition of one carrier by another unless the Board approves. During the year, a number of applications were filed involving proposed mergers or acquisitions between major certificated air carriers. The Board on August 25, 1978, instituted a proceeding to consider the merger application of North Central Airlines and Southern Airways. In the same instituting order, the Board instituted another proceeding to consider the application of Texas International Airlines to acquire National Airlines. The Board also tentatively approved the use of a voting trust by Texas International to acquire up to 25 percent of National's stock. In another action, the Board considered an application filed by Pan American World Airways to acquire National and consolidate it into the *Texas International/National* proceeding. The Board also tentatively approved the use of a voting trust by Pan American similar to the one tentatively approved for Texas International. In setting these merger/acquisition cases for hearing, the Board expressed its desire to handle the applications expeditiously to avoid unnecessary burdens on the parties and to enable the air carrier industry to plan and make business decisions with greater certainty.

Another application involved the proposed merger of Continental Air Lines, Inc. and Western Air Lines, Inc.

All of these matters were pending at year end.

INTERCARRIER AGREEMENTS

In a proceeding involving the International Air Transport Association (IATA), the Board tentatively disapproved all outstanding resolutions adopted by members of the IATA Traffic Conference and decided to undertake a review of the system by which such resolutions are adopted. The resolutions represent the means by which the major international air carriers have structured most of their operations, from the setting of fares and service amenities to baggage interlining and conditions of cargo carriage. In taking this action, the Board cited the changed circumstances since its last review of traffic conference procedures and the Board's currently increased reliance on competition as a means of ensuring efficient and responsive air transportation. The Board adopted a similar pro-competitive policy toward agreements outside the context of trade associations. For example, it disapproved a carrier's request for industry-wide discussions on development of the next generation of aircraft, thus permitting the market to function in this area.

The Board announced that it was instituting a study to reexamine the desirability of continued approval of the *Airline Scheduling Committee Agreements* (Docket 20051), with attendant automatic antitrust immunity, under which carriers have for several years agreed on the allocation of take-off and landing slots at high-density airports in New York, Chicago and Washington, D.C. The study is expected to examine the problem of limited ground facilities and the accommodation of new carriers' services at such airports.

TRAVEL AGENTS

In *IATA Agreements Concerning Agency Matter-Uniform Commission Rates* (Docket 28672), the Board disapproved IATA intercarrier agreements setting commission rates paid by carriers to retail travel agents and cargo agents for sales of international air transportation. (Order 78-8-78, August 17, 1978).

In the domestic area, the Board initiated a comprehensive review of significant inter-air carrier agreements which govern the sale of air transportation by travel agents.

RATE REGULATION

Continuing the trend begun in fiscal 1977, U.S. air carriers offered an increasing number of new and innovative fares, both domestically and internationally. The price competition benefited both the traveling public and the airlines. Domestically, many of the new fares extended off-peak pricing principles, while others offered discounts to passengers willing to take a multistop flight rather than the more attractive nonstop flight. "Tag End" fares were introduced to induce passengers to fly on low load factor, beginning or ending segments of longer haul flights, and "fill-up" fares were introduced to induce passengers to use domestic segments of international flights. In international markets, the carriers offered consumers a wider range of price/quality options. Not only were APEX, budget, and standby fares extended to new markets, but other reduced fares such as midweek, limited-stopover, "weekend special", and large group fares became available. Several carriers also upgraded service quality for full-fare passengers.

The airline industry experienced excellent financial results in fiscal year 1978. Net income for trunk and local service carriers was $1.207 billion compared with 593 million for the prior fiscal year. The carriers were able, through the use of attractive discount fares, to fill many seats that would have otherwise flown empty and as a result the passenger load factor for the trunk carriers climbed to 61.2 percent, up 5.7 points over the previous year. The local service carriers' load factor was 59.7 percent, up 6.5 points of the 12 months ended September, 1977. Productivity, measured in terms of revenue ton-miles per employee, increased 11.3 percent over the last year for the trunks and 10.9 percent for the local service carriers.

DOMESTIC PASSENGER FARES

During fiscal year 1978 the carriers experienced a significant profit improvement as passenger traffic and load factors increased markedly. Part of the traffic improvement could be laid to an expanding economy with high levels of income and consumer spending, and part to the introduction of new discount fares and the geographic expansion of existing discount fares prompted by the Board's liberal fare policies. Of paramount importance was the extension, nationwide, of the so-called "Super Saver" discount fare. This fare, which affords a discount of 40 percent for travel during the week, and 30 percent for travel on weekends, was eagerly received by the traveling public. Its impact and that of other attractive discount fares can be seen by the following table which indicates that toward the end of fiscal year 1978, discount fare travel was accounting for half of total coach class travel:

Month	Discount Fare Revenue Passenger-Miles as % total coach revenue passenger miles
October 1977	25.9%
November	24.6
December	31.8
January 1978	31.5
February	32.0
March	35.3
April	35.7
May	36.8
June	41.0
July	56.9
August	56.0
September	48.0

This period saw a break with past pricing policies when in April 1978, the Board permitted the carriers to lower their first-class fares to 130 percent of coach fares. Several months later most carriers lowered the level to 120 percent of coach. Up to that time, first-class fares had been priced on a cost basis at 150 to 163 percent of the coach fare depending on the length of the trip. In permitting the change, the Board expressed the belief that lower first-class fares would encourage more first-class travel which would more than offset the per-ticket price decrease.

As a result of enabling legislation, most carriers introduced special fares for senior citizens in May 1978. These fares, applicable to persons 65 years of age and older, are one-third less than normal coach fares. Another new fare which met with great success was Eastern's system

excursion fare of $299 plus tax which allowed unlimited travel over Eastern's system for two persons traveling together.

Most of the carriers' fare initiatives during this period were in the discount fare area. A significant exception occurred in March 1978 when Western lowered its normal coach fare in the Miami-Los Angeles market 35 percent. Because of the greater availability and use of new and expanded discount fares, the average cost of travel between the 48 contiguous states decreased slightly during the period even though the carriers were permitted general fare increases of two percent effective September 15, 1977, a one percent fare increase effective November 1977, and three percent effective May, 1978. The following table shows coach revenue per revenue passenger-mile during the period for 48-state scheduled operations for full coach fare travel, discount fare travel, and the composite of the two.

Coach revenue per passenger-mile for 48-state operations, by month during fiscal year 1978, and for the 12 months ended September 30, 1977 and September 1978

Month	Revenue per passenger-mile		
	Total	Full Fare	Discount
October 1977	8.49¢	9.24¢	6.35¢
November	8.62	9.35	6.37
December	8.34	9.24	6.42
January 1978	8.38	9.54	6.52
February	8.48	9.34	6.64
March	8.30	9.26	6.56
April	8.23	9.26	6.40
May	8.28	9.40	6.34
June	7.98	9.27	6.11
July	7.64	9.77	6.03
August	7.62	9.66	6.02
September	8.20	9.92	6.37
12 months ended 9/30/77	8.22	8.94	6.37
12 months ended 9/30/78	8.17	9.38	6.31

On September 3, 1978, the Board made effective its new policy dealing with the "bumping" of passengers with confirmed reservations caused by overbooking. The new rules require airline personnel not to deny boarding to any passenger against his will until volunteers are first sought to give up their reservations willingly in exchange for a compensatory payment. Passenger bumped involuntarily are entitled to substantially greater compensation than in the past, and eligibility for that compensation was expanded.

The most significant action taken by the Board relating to domestic fares was the issuance in August 1978 of new passenger-fare policy guidelines which superseded most of the policies developed in the *Domestic Passenger-Fare Investigation* (DPFI). The new policies were designed to stimulate market-by-market competition relatively free from the intervention of Government regulatory barriers, and to a large extent codified policies the Board had been following, on an *ad hoc*

basis, since early 1977. The Board vacated rules which had required the carriers to file identical fares for markets of prescribed first-class fares at a fixed percentage of the coach fare; and required carriers to show that proposed discount fares would have a favorable profit impact. Under the new rules, carriers could experiment with fares tailored to their individual costs and markets over a broad range without the likelihood of suspension. The ceiling of the range was the coach fare formula used by the Board in evaluating general fare increases. But the carriers were allowed the flexibility to price their services above the ceiling by 10 percent in certain presumptively competitive markets. Also to encourage peak/off-peak pricing, the Board allowed the carriers the discretion to increase their fares in other markets by 5 percent on a number of days throughout the year. The floor of the range was set at 50 percent of the ceiling fare level. Carriers were also given the discretion to reduce their fares to 70 percent below ceiling fares on 40 percent of their available seat miles per week.[2]

The Board also modified the joint fare prescriptions of the DPFI so that maximum joint fares are now based on ceiling fares less terminal charges, or the sum of actual local fares, whichever is less.

DOMESTIC CARGO RATES

Cargo deregulation legislation (P.L. 95-163) sharply reduced the Board's jurisdiction over domestic air cargo rates and rules. The Board could no longer suspend proposed tariffs, except within Alaska and Hawaii, for any reason and could investigate only on the ground of discrimination, preference, prejudice or predation. The legislation also provided for much easier entry into domestic all-cargo service. As a result, the Board granted 74 carriers grandfather authority to operate all-cargo domestic service.

The Board also vacated several important decisions prescribing rates and rules that had been issued prior to the legislation; the decisions in the *Domestic Air Freight Investigation* and in the *Liability and Claims Rules and Practices Investigation*, to the extent that they applied to interstate air transportation.

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[2]On October 24, 1978, the Airline Deregulation Act of 1978 (P.L. 95-504) was signed into law. The passenger fare provisions of the Act are very similar to the new fare policies the Board adopted in August 1978.

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INTERNATIONAL FARES AND RATES

The Board followed a policy of promoting more price competition and lower rates in international markets, encouraging individual carrier initiative in developing innovative pricing strategies, and minimizing regulatory interference in carrier decisionmaking wherever possible. At the same time, the Board disapproved several proposals to increase prices in non-competitive markets, such as normal economy fares. The Board also issued an order directing all interested parties to show cause why it should not revoke its approval and anti-trust immunization of the rate-fixing activities of the International Air Transport Association (IATA).

International Passenger Fares

In the autumn of 1977, several new low fares, such as the super-APEX, budget and standby, were introduced to compete with Laker Airways' innovative single-class "Skytrain" low-fare service between New York and London. The low APEX (advance purchase excursion) fares spread to most transatlantic markets; the most dramatic expansion of low-fare opportunities occurred in markets where the United States negotiated liberalized pricing articles with its bilateral partners (Israel, Belgium, Netherlands and West Germany). In the Atlanta and Dallas-London markets, new low fare structures were implemented following negotiations with the United Kingdom. Alitalia introduced a reduced normal economy fare in the U.S.-Italy market, which the Board hoped would be a major advance toward lowering fares for time-sensitive, on-demand service; but the carrier later withdrew the reduced fares. There is still little price competition in this segment of the market, and the Board suspended proposals to increase normal economy fares.

At the same time that many scheduled service fares were being reduced, the Board liberalized charter rules to enable charter operators to continue to offer competition.

The Board also disapproved IATA-agreed restrictions on sales and advertising of so-called "hidden fares," low discount fares between foreign points which had not been available to U.S. citizens and U.S.-originating travelers. Although the availability of these fares will depend in large part on the attitude of foreign governments, the Board noted that the United Kingdom took a similar action to make the fares more widely available.

In other areas of the world the improvements in competition and low fares were less dramatic and widespread than in transatlantic markets. The Board approved Pan American's budget fares similar to those implemented earlier on the Atlantic, but the carrier's proposals were disapproved by several foreign governments. A simplified "Orient Express" fare structure, with reduction of up to 45 percent from existing

fares, was proposed by Northwest Airlines for U.S.-Japan travel, but was disapproved by the Government of Japan.

In the Western Hemisphere, increases were permitted in some promotional fares, but increased normal economy fares to South and Central America were disapproved. The Board disapproved some proposed fare increases for first-class service since the first-class fares were linked to the unlawful weight-based baggage allowance still in effect in several countries. By the close of the fiscal year the carriers had concluded an agreement, which the Board approved, for a piece-related baggage system for most of the Western Hemisphere. The carriers also introduced new APEX and reduced individual tour fares in U.S.-Mexico markets.

International Cargo Rates

Following assurances from the United Kingdom that competitive U.S.-carrier filings would be accepted, the Board revoked its disapproval of the controversial British Airways contract cargo rates. Several innovative reduced-rate filings followed that decision. The Board later approved an IATA agreement increasing North Atlantic rates, but applied a condition similar to that it had imposed on a North/Central Pacific cargo rate agreement, stipulating that the agreed rates were to be a ceiling, with any carrier free to file lower rates. (In the Pacific, the rate increases were never implemented due to the lack of necessary approvals from other governments.)

In the Western Hemisphere, the Board approved increases in cargo rates for most markets, but disapproved increases in all U.S.-Mexico rates, U.S.-Caribbean general and container rates, and U.S.-South America container rates. All increases proposed in South Pacific rates were disapproved.

SERVICE MAIL RATES

In December 1977, the Board announced that it had resolved most of the issues in Phase 2 of the *Domestic Service Mail Rates Investigation* (Docket 23080-2). This complex case involved the establishment of service mail rates on and after March 28, 1973, the date the U.S. Postal Service inaugurated containerized mail services. This proceeding also examined the feasibility of establishing a simplified procedure by which final mail rates could be revised periodically without a formal proceeding. While unable to establish final mail rates at that time because certain issues remained unresolved, the Board did revise the then effective temporary rates, *sua sponte*, based on findings to that point. Petitions for reconsideration have been filed by several carriers and in July 1978,

a petition was filed requesting further increases in the temporary mail rates. The Board targeted its final decision in this case for the first quarter of fiscal year 1979.

During the last half of fiscal year 1977, both Hawaiian carriers filed petitions for increased intra-Hawaiian service mail rates, and in May 1978, the Board established increased final service mail rates for these carriers.

In June 1978 Reeve Aleutian Airways petitioned for an increase in its intra-Alaskan service mail rates to cover overall cost increases, and increased final service mail rates were established by the Board in September 1978.

Air Sunshine, a Part 298 carrier, petitioned in July 1978 for determination of service mail rates on and after March 1, 1976. Completion of this case is anticipated during the first quarter of fiscal year 1979.

The hearing in the *Transatlantic, Transpacific and Latin America Mail Rates Investigation* (Docket 26487) was completed in January 1976. In March 1977 the administrative law judge issued his initial decision, which the Board decided to review. The Board heard oral argument late in September 1977 and targeted its decision for the first quarter of fiscal year 1979.

MILITARY RATES

In June 1976 a joint petition was filed by nine carriers requesting the Board to initiate a Part 288 rulemaking proceeding and to institute a full-scale review of the final minimum rates for Military Airlift Command (MAC) foreign and overseas military charters which the Board had established in January 1975. The carriers also requested that the Board fix increased final rates, under established interim final rate procedures, pending completion of the review.

In July 1976 the Board simultaneously initiated an investigation and established increased interim final rates. It adopted a notice of proposed rulemaking in March 1977. By May 1977 the filing of comments on the proposal was completed. The Board established final minimum foreign and overseas MAC rates during the first quarter of fiscal year 1978. In August 1978 the Board amended certain part 288 minimum rates and clarified derivation of Category Y rates in response to informal MAC comments.

In fiscal year 1978, the volume of MAC contract operations in foreign air transportation totaled $193 million compared with $163 million for the 12 months ended September 30, 1977.

The domestic MAC minimum rates fixed in July 1976 have continued in effect through fiscal year 1978. The volume of MAC domestic contract operations in fiscal year 1978 totaled $62 million compared with

$77 million for the 15 months of fiscal year 1977 and transitional quarter. For the 12 months ended September 30, 1977 MAC domestic contracts totaled $61 million.

The Board granted Reeve Aleutian Airways an exemption from section 403 of the Federal Aviation Act of 1958 (the Act) to permit it to continue carrying military passengers between certain points within Alaska on scheduled services in accordance with MAC contracts during fiscal year 1979.

The Board granted Seaboard World Airlines exemption authority to carry military charter passengers in the upper deck compartment of its B-747F freighter aircraft in scheduled services through September 30, 1979.

Fuel continued to be a significant item of cost and concern in the adequacy of MAC rates, although to a much lesser degree than in the past. The Board continued its monitoring of fuel prices reported by the carriers on a monthly basis. Fuel surcharge amendments to part 288 international rates are issued on an *ad hoc* basis when the latest month's reported weighted average fuel price per gallon differs by one cent or more from that reflected in the current minimum rates. Although it was not necessary to issue any fuel surcharge amendments in fiscal year 1978, it is anticipated that fuel prices will escalate in fiscal year 1979 requiring issuance of several fuel surcharge amendments.

Military Charter Exemptions to Conserve Fuel

In October 1973 in view of the financial distress of some U.S.-flag carriers and their need to conserve fuel, the Board granted exemptions to the U.S. scheduled carriers for Category Y services, permitting the carriage of military charter passengers on scheduled flights at the military round-trip charter rate. This substitution service, allowing elimination of contracted charter flights, was successively authorized on short-term bases despite strong controversy as to the long-run merits. When the authorization was further extended through fiscal year 1976 by tariff filings by Northwest Airlines and Pan American Airways, the Board determined that an investigation of the Category Y rates was warranted, and it set the matter for hearing in July 1975. Subsequently the Board extended the authorizations to perform the substitution services under then-existing tariff provisions until final decision is reached in the *Category Y Fare Investigation* (Docket 28096). An administrative law judge heard the case in June 1976 and issued his initial decision in October 1976, finding that the tariffs were unjust and unreasonable and should be canceled. On review of the decision, oral arguments were heard in May 1977.

In January 1978 the Board found that the tariffs were unlawful and discussed alternatives thought necessary to make the Category Y tariff

consistent with the Act. Northwest filed a petition for reconsideration. New rules submitted by Northwest were rejected by the Board in March and August 1978. Subsequently, the carriers filed revised rules which the Board found acceptable and implemented September 23, 1978. Final Board decision in this case is targeted for the second quarter of fiscal year 1979.

SUBSIDY

Subsidy obligations under Section 406 of the Federal Aviation Act totaled $76.2 million for fiscal 1978, a decrease of $1.9 million compared with fiscal 1977. This $1.9 million drop in subsidy was accounted for by the local service carrier group, while subsidy for the three Alaskan carriers remained about the same at a $4 million level, and increased $0.2 million for the two regional carriers.

Subsidy obligations for the local service carriers under the class rate was $67.6 million, a decrease of $2.0 million below the fiscal year 1977 class-rate subsidy level.

Class Rate VIII, the current rate, became effective July 1, 1976. Class Rate IX, now in the developmental stage, will have a retroactive action date of July 1, 1978. The actual elements of Class Rate IX are still being designed, but it will retain the feature to provide for semiannual reviews of subsidy-eligible and subsidy-ineligible operations each March and September. Prospective subsidy rates, effective January 1 and July 1 each year, are based on these reviews. The rates are adjusted to reflect an equal sharing of excess profits from subsidy-ineligible services, and the rates for subsidy-eligible services are increased or decreased, based on the median change in subsidy-eligible financial results experienced by the individual carriers during the review period as compared with the financial results from the base period of the rate. This median change mechanism allows the subsidy rate to adjust to changes in the overall level of economic activity experienced by all carriers and, at the same time, provides incentives for each carrier to operate as efficiently as possible.

Subsidy for the two regional carriers totaled $4.9 million in fiscal year 1978: Air New England's subsidy remained constant from fiscal year 1977 to fiscal year 1978 for a total of $3.8 million, and Air Midwest, received $1.1 million in subsidy for fiscal year 1978, an increase of

$0.2 million as a result of flow-through subsidy. Air Midwest is operating under a temporary subsidy rate, its final subsidy rate will be established in fiscal year 1979. Air New England has been operating under a final subsidy rate since May 1977.

In March 1976, the Board reopened individual subsidy rates for two of three subsidized Alaskan carriers, Alaska Airlines and Wien Air Alaska. Wien's future subsidy rate was set in May 1977. The final future subsidy rate for Alaska was set in July 1978 which provided for the sum of $3. 3 million from March 23, 1976, through March 31, 1978, inclusive, and then phased reduction in subsidy over several years.

In December 1976, a petition for an increased subsidy rate was filed by Kodiak-Western Alaska Airlines, the third subsidized Alaskan carrier. In March 1977, the Board increased Kodiak-Western's annual subsidy to $188,000 on a temporary basis. In September 1977 Kodiak-Western was granted a new temporary subsidy rate yielding $300,000 for the 6-month seasonal period ending March 31, 1978. (On an annual basis, this new subsidy rate would be $500,000.) At the same time, the Board directed Kodiak-Western to examine all aspects of its operations and to submit a plan for restructuring them. The carrier submitted its plan which included the sale of equipment, a cutback in service, and commercial rate increases, and the Board again revised the temporary annual rate to $319,002. A final future subsidy rate for Kodiak-Western will be set in fiscal year 1979.

Allegheny Airlines, unsubsidized since July 1, 1974, applied for a return to local service support in January 1975. The Board proposed to deny Allegheny's petition in a show-case order in March 1975. Upon reviewing the carrier's objections and revised submissions, the Board in

Subsidy Accruing to Air Carriers Fiscal Year 1977-78
(As of 3-31-79)

	Fiscal 1977	Fiscal 1978
Air Midwest	$ 940,872	$ 1,133,664
Air New England	3,770,462	3,770,462
Total Regional	$ 4,711,334	$ 4,904,126
Frontier	$12,988,113	$12,091,503
Hughes Airwest	9,629,083	9,701,583
North Central	13,005,366	13,619,963
Ozark	9,896,164	10,724,406
Piedmont	11,217,038	11,369,349
Southern	5,116,032	5,418,133
Texas International	7,750,198	4,668,382
Total Local Service	$69,601,994	$67,593,319
Alaska Airlines	$ 1,562,352	$ 1,337,044
Kodiak-Western	169,450	437,969
Wien Air Alaska	2,061,892	1,927,163
Total Alaskan	$ 3,793,694	$ 3,702,179
Total Subsidy	$78,107,022	$76,199,621

September 1976 issued a final order reaffirming its decision. Allegheny petitioned for reconsideration. An order denying that petition was issued in December 1977.

The Board found, in July 1978, that Texas International had no further need for subsidy. The carrier's petition for reconsideration is now pending.

Frontier Airlines' petition for an adjustment of its subsidy for the 19-month period from December 2, 1969, through June 30, 1971, received a formal hearing in June 1976 before an administrative law judge, who awarded Frontier $8.8 million in additional subsidy, including taxes for the period. The Board has reviewed the decision, heard oral arguments, and final action should be taken in fiscal year 1979.

ECONOMIC ANALYSIS

The Office of Economic Analysis (OEA) became a complete organization in the first month of fiscal year 1978. The Statistical Analysis Section from the Bureau of Accounts and Statistics (BAS) and part of the Economic Analysis Division from the Bureau of Fares and Rates (BFR) were combined to form the new Regulatory Operations Division in OEA. The Economic Studies and Policy Planning Division was also created.

The goals of the Office are to provide the Board with an economic basis for assessing current and developing new policy objectives; an information base of accounting and financial, statistical, economic and legal information in support of its regulatory responsibilities; and an information base of workload and resource data used in making day-to-day management decisions.

The types of work performed in OEA include analysis of the economic aspects of issues before the Board, analysis of the impact of Board decisions, the exploration of alternatives for developing new policy objectives, strengthening the record and improving the quality of proceedings through the development of viewpoints not otherwise available and assisting in the development of data bases upon which economic analyses can be performed.

Significant work accomplishments realized during the year included: (1) generation of economic rationale for new policies on route and rate matters; (2) a detailed analysis of the economic impact of domestic cargo deregulation; (3) participation in numerous cases, including *Chicago-Midway, Transcontinental Low Fare* and *Seattle Gateway-Japan,* supporting innovative proposals when justified; (4) consultation to the Board on the proposed rulemaking to restructure the *Domestic Passenger-Fare Investigation* (DPFI); (5) preparation of analysis of several international fare matters, and (6) participation in formulation of proposed positions on bilateral negotiations.

Economic analysis relating specifically to the route program during the fiscal year included research studies of demand, production efficiency, and market competition; analysis and interpretation of continuing increases in the prices of aviation fuel; general inflationary trends and energy conservation.

EMERGENCY PREPAREDNESS ACTIVITIES

The Board issued a report for calendar year 1978 which assesses the emergency air transportation capabilities of the airline industry operating under the War Air Service Program (WASP). The report provides estimates of essential passenger and cargo demand for WASP services during emergency conditions. Also, during the year additional emphases was placed on plans for maintaining continuity of government during an emergency.

On June 20, 1978, the Chairman extended the term of the CAB industry Advisory Committee on Aviation Mobilization for a two-year period beginning July 1, 1978. The committee, established in 1954, advises the Board on the development of WASP plans and examination of problems involving the mobilization of the airlines under WASP in a national emergency. The committee members are: Stanley L. Seltzer, American Airlines, Inc., James E. Reinke, Eastern Air Lines, Inc., Benjamin G. Griggs, Jr., Northwest Airlines, Inc., William R. Roy, Pan American World Airways, Inc., Thomas K. Taylor, Trans World Airlines, Inc., James W. Sheehan, United Air Lines, Inc., Paul J. Rodgers, Ozark Air Lines, Inc., Douglas Smith, The Flying Tiger Line Inc., Robert A. Neff, Seaboard World Airlines, Inc., Edward J. Driscoll, National Air Carrier Association, Inc., and Clarence G. Collins, Jr., Department of Transportation.

All aspects of the Board's emergency plans will require further careful reevaluation in light of the passage of the Airline Deregulation Act shortly after the end of the fiscal year.

ACCOUNTING, AUDITING AND REPORTING

During fiscal year 1978, the Board consolidated certain of its audit functions with its accounting systems capability into one organizational component. This resulted in a strengthening of its overall accounting and auditing system, permitting it to shift auditing emphasis to areas of current concern and to derive a greater degree of direct support for many of its ongoing programs. In this way, the accounting and audit staff was placed so that it could best provide support to the programs that were anticipated to result from industry reform, such as the service to small communities program and the payment of subsidy for providing essential air service.

Some of the more significant activities of the accounting and auditing staff during fiscal year 1978 are highlighted below.

Audit of Subsidized Air Carriers

During the fiscal year, seven local service carriers, two regional carriers and three Alaskan carriers were subsidized. As part of the Board's program to administer subsidy to these carriers, the Board made recurring annual audits to verify the bases for subsidy claims and to develop the data needed in setting and adjusting rates of payment.

Included in these audits was the initial review of Air Midwest. A newly certificated regional carrier, Air Midwest was operating under a temporary subsidy rate. The results of the audit provided the data the Board needed to set a final subsidy rate for this carrier.

Audit Assistance in Support of Case Work

The audit staff was directly involved in providing data for many of the key cases before the Board during the 12 months ended September

30, 1978. These cases involved a variety of complex domestic and international route and rate issues which went to the heart of the Board's regulatory policies.

Major cases provided audit support included the *U.S.-Benelux Low-Fare Proceeding* (Docket 30790), the *U.S.-Bahamas Service Investigation* (Docket 32294), and the *Atlanta-Portland/Seattle Subpart N Proceeding* (Docket 30233). In each of these cases, the financial position of applicants was reviewed and the reliability of financial exhibits verified.

New Carrier Familiarization Program

In conjunction with the Board's program to develop new air service and greater competition in the airline industry, the Bureau of Carrier Accounts and Audits (BCAA) initiated a program to acquaint newly certificated air carriers with Board requirements and services. This program is designed primarily to familiarize new carriers with the Board's accounting systems—and related reporting requirements—and includes presentations by Board staff in other areas such as consumer relations and tariff submissions.

The program aims to respond to the individual and unique needs of each new airline and establishes a framework for ongoing assistance by introducing carrier representatives to Board personnel who can be contacted for assistance in specific areas. It also provides a staff opportunity to explore with airline officials additional areas where systems can be simplified or strengthened.

Interagency and Industry Assistance

During the year the Board continued to provide technical aid to other government agencies, to the airline industry, and to the public in general on accounting and related disclosure matters. Of primary importance at the Federal level was the assistance given the Securities and Exchange Commission on a wide range of financial and operating facts contained in seven registration and proxy statements filed by regulated air carriers with the Commission. The Board also issued several industry letters of interpretation through BCAA to develop uniform accounting standards, thus improving the data base on which the Board makes many of its decisions. Those of primary importance dealt with accounting and disclosure for lease capitalization and charter substitute service operations.

Industry Accounting System

In order to minimize the differences that might exist between air carrier accounting practices reflected in certified financial statements presented to the public (e.g., annual reports and periodic filings with the

Securities and Exchange Commission) and the accounting requirements contained in the Board's Uniform System of Accounts and Reports, the Board tries to ensure that its accounting requirements conform with the generally accepted accounting principles and regulatory accounting principles recognized by the accounting profession as a whole. The premise underlying these efforts is the Board's belief that the Federal Government's regulations should not require a company to maintain two separate sets of records to account for one set of transactions. Thus, as new standards are adopted by institutions responsible for molding accounting principles for the business community (institutions such as the Financial Accounting Standards Board, the American Institute of Certified Public Accountants and the Securities and Exchange Commission), they are incorporated into the Board's industry accounting system. The most prominent of these standards issued during fiscal year 1978 involved accounting and disclosure principles for restructuring troubled debt and for foreign exchange fluctuations.

Industry Audit Guide

Even though the Board's Uniform System of Accounts and Reports is in accordance with generally accepted accounting principles, there are many areas of accounting which are peculiar to the airline industry and serve to mark it as unique from all other business enterprises from an accounting standpoint. These peculiarities, some quite complex in theory and practice, range widely over balance sheet and profit and loss areas such as capitalization policies, revenue accounting, interline settlements, overhaul accounting, and the timing and matching of revenue and expense recognition.

In the current environment of regulatory reform, with the industry thrown open to greater competition, one can anticipate a great many new entrants, the majority of whom will be small airlines struggling to acquire a viable share of an already competitive market. To them and to their public accountants, many of whom will be small practitioners, adaptation to the uniqueness of airline accounting will often as not pose significant problems.

New entrants and their small practitioners will have to bridge an accounting gap for which there are currently few available bridge-building materials. The CAB alone cannot assure the availability of authoritative, technical pronouncements to provide guidance in accounting areas which pose problems unique to the airline industry and to assist small air carriers (and their public accountants) in successfully making the transition from independent operators to effective participants in a highly involved national transportation system.

To help bring uniformity to accounting areas unique to the airline industry, the Board's staff participated with the American Institute of

Certified Public Accountants' Subcommittee on Aeronautics to begin development of an audit guide by the accounting profession for the airline industry. This guide will embody authoritative pronouncements issued from the private sector and will provide needed guidance for the many new carriers (and their public accountants) expected to enter the airline industry as a result of industry deregulation.

The audit guide also will serve to confirm adherence by carrier managements to financial accounting standards widely practiced throughout the air transport industry and prescribed by the CAB. The Board, whose audit resources are limited, will be able to rely to a much greater extent on the verification activities of certified public accountants.

DATA PROCESSING

Automatic Data Processing (ADP) is used in all major phases of Board activity, a primary tool for reducing procedural delay, increasing staff analytical effectiveness, minimizing the need for manpower, and reducing air carrier reporting burdens. During fiscal year 1978 the Board continued its multi-year ADP modernization program, a primary purpose of which is to deliver the power and information of the computer more directly into the hands of user staff and management.

Out of this evolutionary growth arose a new family of ADP applications in which computerized data files are directly accessible from users' offices. The applications generally insert ADP much more deeply into the daily analytical, administrative, and decisionmaking processes of the Board, because they make specific data available where and when needed, frequently without specific handling by ADP professionals on the Data Processing Division (DPD) staff.

A typical new online application allows user staff members to perform directly many of the functions *e.g.* data validation, mathematical manipulation, and report formulation, that had historically been performed by DPD staff. Also, the modernized ADP environment provides for much simpler direct user involvement in many batch-processing applications. This concept not only gives user organizations much greater command of their ADP support activities, but also plays an important role in DPD personnel planning. The Board is thus able to concentrate its limited ADP professional resources on the more technical and host ADP functions.

The Board's computer, an IBM 370/155-II with two million bytes of real memory, 12 magnetic tape drives, 18 direct access storage devices

and two high speed printers, is housed in a secure, self-contained environment with a tape and disk library that contains working and historical data files, backup copies of which are stored off-site. Accessing the computer via telecommunications is a network of about 50 remote terminals of various types.

The facility is operated through a highly sophisticated collection of operating system and other control software. It was the virtual memory processing concept, and a number of proprietary packages in conjunction with the system supervisor to provide a fully communications-oriented environment. In this area, after a major feasibility study and competitive procurement effort, a data base management system (DBMS) software package was acquired and implementation begun during fiscal year 1978. DBMS usage is consistent with the overall modernization program in that it places the receipt of data much closer to the definition of the problem and even further lessens the technical burdens on a user who wants to access the computer directly.

For the Board to respond successfully to the many anticipated changes in the regulatory environment, not only its line organizations, but also its staff activities must adjust their philosophy, form, and function. The ADP program during fiscal year 1978 continued a reshaping and improvement believed necessary to the proper support of Board management and staff in the years ahead.

DATA SYSTEMS MANAGEMENT

Overview

The implications of pending deregulation legislation governed the CAB's information system processing activities. The Board's primary concern was to maintain existing information processing systems, with secondary emphasis on the planning of and for future changes in its regulatory data systems that would be required in the deregulation environment. Therefore, the Board avoided major new system initiatives. In several instances it modified existing information processing systems to gain data for regulatory decision-making purposes in the near term, a need that probably would continue or be emphasized by deregulation. The Board reduced or cancelled several systems in view of its probable future regulatory requirements.

Passenger Revenue Data

The Board changed its origin and destination information processing system to handle the newly required reporting of passenger revenue

data. This 10 percent sample of air traveler tickets will now include the amount, in dollars, paid for that ticket, in addition to the origin, destination and carrier information already provided. The system was restructured to provide for validation of the quarterly air carrier data submissions and to create a new, separate "dollar amount of fare" data bank. The Board was developing information systems to use this new information to analyze the effects of various fares in the marketplace, yields, and related information.

Passengers Denied Boarding Information

The Board initiated a new periodic summary of carrier reports of passengers with confirmed space who were denied boarding. It includes amounts of compensation paid to passengers denied boarding, whether they were denied on a voluntary or involuntary basis. These reports are released publicly to give the air travel consumer more and better sources of information

Transatlantic Deep Discount Fares Data

The Board's concern that low-cost charter services might not survive in competition with deep-discount fares in the transatlantic markets prompted it to ask both U.S. and foreign air carriers to 1) submit a special report of monthly financial data, 2) submit a special monthly report of passengers carried by type of deep-discount fare, and 3) file ongoing charter traffic statistics on a monthly basis, instead of the traditional quarterly cycle. The resulting expedited information summaries were used to advise the Board throughout the peak months of the 1978 summer. At year's end plans were underway to drop the special requirements because the concerns of consumer and carrier welfare that prompted them had not been realized.

Form 41 Financial and Traffic On-Line Data System

The Board data management staff was preparing for use a new, automated system for expediting the editing (validation) of air carrier periodic financial and summary traffic reports. This system will reduce the delay resulting from manual intervening steps that are required in the present system. The benefits: a reduction in the time from receipt of a carrier's report until the automated data bank is ready for use; quicker identification of reporting errors and quicker resolution of unacceptable reporting; more timely production of publications that require the automated data bank, and increased information processing staff productivity. As this system achieves full implementation, the Board plans to extend the concept to other automated data bank systems.

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Report Volumes

CAB reporting requirements and information processing systems were either reduced or in the final stages of approval for reduction for certificated air carrier freight loss and damage data, and Part 242 all-cargo operations.

New report burdens were generated by 1) the addition of foreign air carriers to the denied boarding information system, and 2) across the board increases resulting from initial operations of various new carriers. The Board estimated the increase at 1,500 new filings. Overall air carrier reporting requirements in fiscal year 1978 increased about 1 percent. But at year's end, the Board had underway major initiatives that would lead to substantial reductions in the year ahead.

Plans for Future Information Systems

Towards the end of the year, as the shape and direction of the deregulation legislation became clearer, the Board focused its attention on future regulatory information requirements and how best to meet these needs. It analyzed various deregulation programs and initiated several studies to identify areas where new or modified information processing systems seemed necessary. For example, the Board directed its staff to explore the extent to which foreign air carrier passenger origin and destination data are required, and, if they are, whether to incorporate this system with the existing U.S. carrier passenger origin and destination survey system.

Support of Case Work

Heavy workloads throughout the Board required the redeployment of its information processing resources to assist with the preparation of information responses and direct exhibits in a number of formal hearing cases including the *U.S.-Benelux Low-Fare Proceeding* and *Flying Tiger-Seaboard Acquisition Case.*

Interagency, Industry and Consumer Assistance

The data systems staff provided continuing guidance and assistance on information matters to other Board staff, other Government agencies the air industry, and the general and consumer public. It serviced almost 1,000 requests from sources outside the Board. The availability of recurrent summary publications and microfilm, in the case of passenger origin and destination survey data, which are products of information processing staff efforts, serves to keep these requests at a manageable level. More than 100 periodic assemblies of data for the Board staff are also made available to consumers as a result of the

Board's information processing program. There are hundreds of standing orders for these publications. Data is also made available via computer magnetic tape media through the National Archives and Records Service (GSA). Microfilms are prepared for release through the Air Transport Association of America.

Recurrent Publications Prepared

The following recurrent statistical and financial publications were issued in 1978: *Air Carrier Traffic Statistics; Air Carrier Financial Statistics; Origin-Destination Survey of Airline Passengers Traffic; Airport Activity Statistics; Passengers Denied Confirmed Space Boarding; Fuel Cost and Consumption; Commuter Air Carrier Traffic Statistics;* and *Scheduled Arrival Performance.*

Recurrent Computerized Data Banks Maintained

The following recurrent computerized data banks were maintained in 1978: Various Form 41 (Part 241) summary level traffic and detailed financial schedules; Part 241 detailed service segment traffic and capacity reports; passenger origin and destination survey data; Part 298 commuter air carrier traffic and financial data; Part 241 and 217 reports of charter traffic; commodity import/export data; flight schedules consistent with Part 231 (OAG); and, the subsidy verification traffic data bank.

CONSUMER PROTECTION

The Board's commitment to the consumer was reflected in its creation of the Bureau of Consumer Protection (BCP) on July 10, 1978. The Bureau of Enforcement and the Office of the Consumer Advocate merged to form the new Bureau.

The principal reasons for the creation of the Bureau were to increase the Board's ability to inform, assist and protect consumers in their dealings with the air transportation industry, to underscore the Board's commitment to have the consumer interest adequately represented in matters that come before it, to increase the Board's capability in the antitrust enforcement area, and to resolve consumer complaints in a more effective and timely manner.

Under the new structure, there are four operating divisions: The Legal Division institutes and prosecutes informal and formal proceedings against air transport entities subject to Board jurisdiction to protect the interests of the consumer; the Antitrust Division takes an active role in formulating and effecting CAB antitrust policy and prosecutes illegal industry anticompetitive conduct; the Consumer Action Division investigates and responds to consumer inquiries and complaints, provides assistance to consumers through its field offices and monitors practices to identify violations of the Federal Aviation Act and Board regulations; and the Policy Development Division studies issues affecting consumers and makes recommendations to the Bureau Director on new consumer policy.

CONSUMER MATTERS

To increase its effectiveness in helping consumers with air transportation problems the Bureau redirected the efforts of its six field offices from investigation and enforcement activities to consumer assistance. Many complaints and inquiries that formerly were received in the Washington office now are being handled in the field. Regional staff have direct access to airline personnel in their area and may even make personal visits to airlines or travel agencies to try to resolve consumer grievances.

Consumer complaints increased 30 percent over fiscal year 1977. This was due in part to the increase in passenger traffic. Other factors that contributed to the complaint increase were the multiplicity of discount fares offered and the difficulty in making reservations and purchasing tickets due to an inadequate number of telephone lines and agents, and crowded conditions at the airports.

In answering consumer complaints and requests for information, the Bureau placed primary emphasis on communicating in plain English and avoiding bureaucratic language. Work was begun on major revisions to the Bureau's consumer guides for air travelers.

The Federal Aviation Act requires air carriers to file tariffs with the Board, setting out their fares and the rules that apply to them. Tariffs have long contained many exculpatory provisions which limit or deny the carriers' liability to their customers. In the past many carriers refused to pay passenger claims (involving delayed, cancelled or rerouted flights, misquoted fares, etc.), advising the claimants that payment of compensation would constitute an illegal rebate and would subject the airline to substantial fines and penalties. In a March 17, 1978 letter, the Board advised all U.S. certificated air carriers and foreign air carriers operating into the United States it would never prosecute a carrier for settling a bona fide consumer claim.

In December 1978, after the close of fiscal year 1978, the Board issued an order exempting all U.S. air carriers and all foreign air carriers from provisions of the Act which had been interpreted by carriers as prohibiting monetary adjustments. The exemption applies to the extent necessary which in the carrier's judgment is justified.

The Bureau also organized a task force to review tariffs with the aim of removing such exculpatory provisions.

ENFORCEMENT

Through the Bureau the Board reorganized its enforcement priorities to place special emphasis on consumer related problems such as defaults by tour operators, deceptive advertising, and the failure of

airlines to compensate passengers who were denied boarding on oversold flights, to provide passengers with seats in the non-smoking sections of their aircraft or to make credit available to consumers on a nondiscriminatory basis. The Bureau's legal division, in fiscal year 1978, prosecuted 17 cases in the Federal courts and handled 88 administrative complaints. Through its enforcement efforts the Bureau also collected $420,725 in civil penalties.

The Bureau's highest priority went to violations by tour operators of the Board's bonding requirements and escrow account rules. These rules protect the funds consumers pay for charters organized by tour operators. The Bureau continued its prosecution of cases started in the previous fiscal year, including *CAB v. Tour Travel Enterprises, et. al.* (Civ. No. 76 C 4693 (N.D. Ill.)), wherein for the first time a court held the Board's escrow regulations applicable to a depository bank. Another previously instituted case, *CAB v. Fraser, et al.* (Civ. No. 76 4349 5 (D. Mass.)), ended with the entry of a consent injunction restraining defendants from selling charter tours without complying with the Board's consumer protection rules. In addition, six new court suits were brought in fiscal 1978 by the Bureau on behalf of the Board: *CAB v. Global International, Inc., et. al.* (Civ. No. 78 C 1436 (E.D.N.Y.)); *CAB v. Aegean Travel* (Civ. No. 78 C 3651 (S.D.N.Y.); *CAB v. Reindeer Lake Enterprises, Inc.,* et al. (Civ. No. 3 78 5 (D. Minn.)); *CAB v. Octagon Travel Center Inc., et al.* (Civ. No. 78 C 3880 (S.D.N.Y.)); *CAB v. Union Travel Service, Inc., et al.* (Civ. No. 78 C 1232 .N.D. Ill.); *CAB v. H & H Tours, et al.* (Civ. No. 78 C 1689 (E.D.N.Y.)).

Five of these cases have been concluded through the entry of injunctions. In several the Bureau was able to secure refunds for tour participants. The Bureau also instituted a civil contempt proceeding against a tour operator whose failure to abide by a previous injunction resulted in the loss of participants' funds when the operator went out of business.[3] That case was still pending at the close of the fiscal year. The Bureau also secured injunctions against two airlines whose actions enabled other charter operators to avoid the Board's escrow/bond regulations.[4]

Another area of Board concern has been the problem of denied boarding. To insure that passengers "bumped" from oversold flights receive proper compensation, the Bureau mounted an enforcement program to identify and prosecute airlines that were not complying with the Board's regulations. The program resulted in the filing of administrative actions against Aviateca, Air Jamaica, and Ozark Airlines.

[3] *CAB V. Deluxe Travel, et al. (Civ. No. 74 C 915 (E.D.N.Y.))*

[4] *CAB v. Capitol International Airways, Inc.* (Civ. No. 77 C 584 (E.D.N.Y.)); *CAB v. Societe Anonyme de Transport Aerien* (Civ. N. 78 C 2000 (E.D.N.Y.))

Cease and desist orders were issued in these cases and the Board collected a total of $22,400 in civil penalties. In connection with this program the Bureau had to seek judicial enforcement of a subpoena when Lufthansa Airlines refused to produce its records on its bumping practices. The District Court ordered Lufthansa to comply with the Board's subpoena and the case, at the close of fiscal 1978, was pending appeal.[5]

The Board's enforcement program also extended to other consumer related matters. In reviewing carrier compliance with the Equal Credit Opportunity Act, which is enforced by the Board, the Bureau discovered that the carrier administered its credit system in a manner that discriminated against minority racial groups and persons under 22 years of age. The case was terminated when the carrier, Delta Airlines, consented to the entry of a cease and desist order.

Continued complaints about airlines' failures to accommodate passengers in non-smoking sections prompted the start of administrative actions against 11 airlines. To ensure that passengers received information about carriers' fares and rules the Bureau secured cease and desist orders and civil penalties against five airlines, American, Braniff, Delta, Piedmont, and Pan American, for failure to post proper notices at their ticket offices. The Bureau also pursued matters concerning the treatment of passengers holding tickets on Northwest Airlines when the airline was shut down by a strike. The Bureau filed suit in federal court to require other airlines to carry these passengers without additional charge[6] and instituted an administrative action against Northwest for selling tickets after the strike. Decisions in both cases were pending at year's end.

ACCOUNTING AND REPORTING

The Board was also active in areas other than consumer protection. One of its more significant accomplishments during fiscal 1978, the Board through BCP, effected the return of $271,800 excess subsidy from Southern Airways which had been paid out because of improper accounting practices used by the carrier. In another instance the Board brought a court action, *CAB v. J.D. Smith InterOcean, Inc.*, (Civ. No. 78 C 0088 (S.D.N.Y.)), enjoining an international air freight forwarder from collecting accessorial charges from its shippers and then "kicking back" payments to the shippers' employees for directing business their way. The court's order, entered January 13, 1978, included $24,000 in civil penalties against the defendant. This was the first case prosecuted by the Bureau involving payment of commercial bribes to obtain and retain accounts.

[5] *CAB v. Deutsche Lufthansa Aktiengesellschaft* (Misc. No. 78 0213 (D.D.C.))
[6] *CAB v. Frontier Airlines, et al.* (Civ. No. 78 1216 (D.D.C.))

The Bureau on behalf of the Board filed a court action, *CAB v. Aloha Airlines and Hawaiian Airlines*, (Civ. No. 78 0071 (D. Hawaii)), as a consequence of an audit that uncovered free and reduced rate air transportation violations and inaccurate statements of expenses to the Board. A final judgment entered March 3, 1978 enjoined the carriers from violating the Federal Aviation Act and the Board's regulations.

OPERATING RIGHTS

In another action brought by the Bureau for the Board, an injunction was issued against a foreign air carrier (tour operator) who was engaging in air transportation without a permit.[7]

ANTITRUST

The Bureau's principal antitrust effort in fiscal year 1978 was its participation in the merger cases pending before the Board.

On June 12, 1978, Texas International Airlines began purchasing large blocks of common stock of National Airlines in an attempt to take over National. During the course of the summer, TXI obtained more than 20 percent of National's common stock under a Board order granting it the authority to do so. Since TXI is a competitive force in many southern U.S. airline markets, the Bureau considered whether a takeover of National violated Section 7 of the Clayton Act or Section 408 of the Federal Aviation Act, which sets forth the legal standards governing mergers among airlines.

Pan American World Airways also obtained permission to purchase up to 25 percent of National's stock to be placed in an nonvoting trust pending the outcome of its merger applications. However, because it perceived National as an emerging force in the transatlantic market and because the carrier also planned to enter South American markets, the Bureau was concerned that this merger would also violate the antitrust laws.

At the administrative hearing which lasted more than two months, the Bureau, as a party, opposed both proposed mergers (Dockets 33112 and 33283). BCP argued that both mergers would be contrary to consumer interests by substantially lessening competition within the industry.

The Bureau was also a party in the *Continental-Western Merger Case* (Docket 33465), opposing the merger on the grounds that it would undermine competition between two vigorous carriers that are among the largest airlines in the West, would significantly reduce competition

[7] *CAB v. Travelers Air Services et al.* Civ. No. 77 C 6081 (S.D.N.Y.)

during the transition to deregulation and could result in the creation of a less efficient carrier. In the *North Central-Southern Merger Case* (Docket 33136) BCP's position was similar to its stance in the *Continental-Western Merger Case.*

Merger activity was not confined to passenger carriers. In Docket 33712, Tiger International, the holding company parent of the Flying Tiger Line, sought to acquire Seaboard World Airlines. Concerned that consolidation of two of the four U.S. flag all-cargo carriers might diminish competition, BCP entered that case as a party.

Through BCP, the Board also investigated a complaint that a $40 million charter market was unlawfully monopolized by the use of improper business tactics. A formal investigation using compulsory process was begun in March 1978. When the Bureau completed its investigation in September, the Board referred the matter to the Antitrust Division of the Department of Justice with the recommendation that they investigate.

COMMUNITY AND CONGRESSIONAL RELATIONS

During fiscal year 1978 a survey of the Washington press corps, conducted by Washington Researchers, an information service for government, private industry and a number of professional associations, rated the CAB best among government agencies in effectiveness in disseminating information. For its part in this Boardwide effort, the Office of Community and Congressional Relations (OCCR) implemented procedures for transmitting information memoranda to interested Congressional delegations and increased its personal and telephone contact with the offices of the Members. Through OCCR the Board handled more than 2,500 constitutent and other requests from Members of Congress.

The Board conducted the most active liaison with state and local governments in its history, holding meetings with more than 50 communities in Washington and other cities, including Utica, New York; Erie, Pennsylvania; Toledo, Ohio, St. Petersburg, Florida; Sioux City, Iowa, and Tucson, Arizona. On behalf of the Board, OCCR presented and explained the Board's policies as they affect air service at the cities and described the options realistically available to achieve community goals. OCCR also represented the Board in meetings of the Airport Operators' Council International, American Association of Airport Executives, National Association of State Aviation Officials, the Commuter Air Carrier Association of America, the California Association of Airport Executives and the Michigan Air Commuter Study Group. To facilitate the dissemination of information in these hearings, a draft booklet designed to create a better understanding of Board policies and procedures was developed and distributed to more than a thousand community and organization officials.

During 1978, the airline industry was in transition to a more competitive, free market-oriented system. Where air service dislocations occurred, the Board through OCCR initiated action to assist communities in seeking replacement services. Both certificated and commuter air carriers were alerted to possible opportunities for service at a number of communities, including Binghamton and Utica, New York; Flint, Michigan; Newport News, Virginia, and Bakersfield, California. Although OCCR began the year reacting to service curtailments, the office altered its objective in mid-year to anticipate future air service losses based on advance notice of substantial schedule adjustments. By the end of the year, OCCR and the Board's Bureau of Accounts and Statistics, began to develop a program under Board direction designed to assist communities and commuter air carriers to evaluate and estimate the financial results of proposed operations. These results would be utilized in the negotiation of new, improved or replacement services.

The Board redefined its community assistance goals toward the close of 1978 in anticipation of deregulation and to meet the needs of a rapidly changing industry. In OCCR's first major effort to explain the Board's expanded objectives in the community assistance area, OCCR staff met with state and local officials in the state capitols of Florida, Alabama, Georgia, Kentucky, Louisiana, Mississippi, Tennessee, North Dakota, South Dakota, Montana, Wyoming, and Idaho. Civic and state response was enthusiastic. Meetings were to be held in the remaining states early in 1979.

Finally, to bring the CAB closer to the public it serves, the Board directed OCCR to begin planning for the opening of three regional offices to be located on the West Coast, in the Midwest and New England, with the OCCR Regional Representative to serve as liaison between the Board and states and local government.

COURT CASES

Litigation during fiscal year 1978, for the most part, consisted of direct statutory review of Board orders in the U.S. Courts of Appeals. Eleven complaints also were filed in the U.S. district courts against the Board, one complaint was filed in the U.S. Court of Claims, and on three other occasions, litigants who had been unsuccessful in appeals challenging Board orders in the courts of appeals filed petitions for certiorari in the U.S. Supreme Court. In all three of the latter instances the Supreme Court refused to review the lower court decisions in favor of the Board.

Fifty-nine proceedings were instituted against the Board, compared with 69 in the preceding year. At the close of the fiscal year, 75 petitions for review had been disposed of, 66 were pending. In the preceding 12 months, 49 petitions had been disposed of, and 81 were pending at the end of the period.

An important case pending in the U.S. Court of Appeals for the District of Columbia Circuit at the close of fiscal year 1977, *People of the State of California, et al.* v *CAB,* 581 F.2d 954 (C.A.D.C. 1978), involved a challenge by the State of California, the State of Texas, and the National Association of Regulatory Utility Commissioners to the Board's determination in the *California and Texas Interstate-Intrastate Fares Investigation* (Docket 24779, Order 76-7-23), that the use of different interstate and intrastate fares by federally-certificated carriers in intra-California and intra-Texas markets resulted in unjust discrimination against passengers paying the higher interstate fare. The Board concluded that such discrimination must be eliminated by the establishment of a single fare level applicable to all passengers traveling in those markets. The court affirmed, holding that the Board's decision properly rested on the unjust discrimination provisions of Section

404(b) of the Federal Aviation Act (49 U.S.C. 1374(b)). The court concluded that the Board's finding of unjust discrimination and its selection of a remedy were "rational and based upon substantial evidence." The Supreme Court declined review of this decision, 99 S.Ct 834(1979).

Decisions also were forthcoming regarding the Board's decisions in two major route proceedings. In *Braniff Airways, et al.* v. *CAB,* 581 F.2d 846 (C.A.D.C. 1978), the court dismissed a challenge by five carriers to the Board's determination (Order 76-11-32) to award American Airlines authority to operate between Chicago and Montreal. It held that an international route award approved by the President was precluded from judicial review under Section 1006(a) of the Act (49 U.S.C. 1486(a)), as interpreted in *C&S Air Lines* v. *Waterman Steamship Corp.,* 333 U.S. 103 (1948). In doing so, the court rejected petitioner's assertions that the statutory impediment to judicial review was removed by the President's statement in his approval of the Board's order that "no defense or foreign policy considerations" had figured in his decision to approve. Shortly after the close of the fiscal year, the statute was amended by the Airline Deregulation Act (P.L. No. 95-504, §34) to provide that the President may disapprove an international route award "solely upon the basis of foreign relations or national defense considerations" and that "(a)ny such Board action not so disapproved*** shall take effect as action of the Board, not the President, and as such shall be subject to judicial review as provided in section 1006 of the Act."

In the second case, *North Central Airlines* v. *CAB,* C.A.D.C. No. 77-1424, the District of Columbia Circuit affirmed without opinion the Board's selection of Northwest Airlines over North Central to provide competitive nonstop Chicago-New Orleans service (Order 77-2-58). North Central had contended that the Board erred in concluding that Northwest would provide more flights and attract more traffic than North Central.

Another significant case, *United Air Lines, et al.* v. *CAB,* 569 F.2d 640 (1977), involved the Board's determination in the *Air Carrier Reorganization Investigation* (Docket 24283, Order 75-10-65/66) to impose a comprehensive regulatory plan on three air carriers controlled by holding companies formed through corporate reorganizations (United Air Lines, Braniff Airways, and the Flying Tiger Line). The regulatory program, designed to protect the financial health of the carriers, required the reporting of various corporate transactions between the carrier and the holding company. On review, the District of Columbia Circuit agreed that the Board possessed the requisite statutory authority to regulate transactions between a carrier and its holding company. It concluded, however, that the Board acted in an arbitrary and discriminatory fashion by limiting the applicability of the regulatory plan solely to carrier-created holding companies, as opposed to carriers who were acquired by a preexisting diversified company. Accordingly, the

Board's decision was set aside and remanded to consider whether the regulatory plan should be applied to all forms of holding company arrangements or abandoned altogether. On remand, the Board determined that the regulatory plan was not needed and terminated the inquiry (Order 78-10-123).

In *British Caledonian Airways* v. *CAB,* 584 F.2d 982, the District of Columbia Circuit upheld the Board's declaratory ruling (Order 75-9-114) that air carriers are required by the tariff provisions of the Act and the Board's regulations to include in their tariffs the charges they impose for cancellation of charter flights. In doing so, the court agreed that the declaratory ruling was not subject to the Administrative Procedure Act requirements for rulemaking. As to the reasonableness of the declaratory ruling, the court concluded that the Board's opinion "was based upon a careful analysis of the rationale for requiring matters to be included in tariffs and of the importance of cancellation charges in the charter contracts of supplemental air carriers."

Finally, in *Delta Air Lines* v. *CAB,* 574 F.2d 546 (C.A.D.C 1978), the District of Columbia Circuit affirmed a Board order granting the petition of the Committee of Former Northeast Stewardesses to direct Delta Air Lines to submit to arbitration a dispute over the integration of stewardess seniority lists following the merger of Northeast Airlines into Delta (Docket 23315, Order 76-9-129). The Court held that the Board acted within its discretion in referring to the arbitrator the procedural issue of the timeliness of the Committee's request for arbitration. The Supreme Court declined review of this decision, 99 S.Ct. 82 (1978).

Lastly, at fiscal year's close, several important cases were awaiting decision in the courts of appeals. These included *Frontier Airlines, et al.* v. *CAB,* C.A.D.C. Nos. 77-1437, *et al.*, a challenge by several disappointed applicants to the Board's selection of Braniff Airways and Continental Air Lines for Denver-Tampa/Miami authority and Braniff and Delta Air Lines for Denver-Atlanta service; *Allegheny Airlines* v. *CAB,* C.A. 4, No. 78-1107, an appeal from the Board's denial of Allegheny's request for subsidy payments; and *National Air Carrier Association, et al.* v. *CAB,* C.A.D.C. Nos. 77-2122, *et al.*, a challenge to the Board's amendment of its regulations to lift some of the restrictions previously imposed on scheduled carriers in their performance of "off-route" charter services.

ADMINISTRATION

KEY PERSONNEL CHANGES

On October 26, 1978, just after the close of the fiscal year of this report, Dr. Alfred E. Kahn resigned to become Chairman of the President's Council on Wage and Price Stabilization. He had been Chairman since June 10, 1977. Marvin S. Cohen was sworn in as a Member of the Board on October 10, 1978, and President Jimmy Carter designated him Chairman, effective on Dr. Kahn's departure. He filled the unexpired term of G. Joseph Minetti, who left the Board August 31, 1978, closing out 22 years as a Member of the Board. Chairman Cohen's term as Member runs through 1979.

Member Lee R. West resigned effective June 30, 1978. He was succeeded by Gloria Schaffer, who took the oath of office September 26, 1978. President Carter appointed Mrs. Schaffer to serve the rest of Member West's term, which ran through 1978, and to a full six-year term which ends December 31, 1984.

Philip J. Bakes, Jr. and Gary J. Edles were named General Counsel and Deputy General Counsel, respectively, in December, 1977. They succeeded General Counsel James C. Schultz and his deputy, Jerome Nelson.

Michael E. Levine was named Director-designate of the Bureau of Pricing and Domestic Aviation in February, 1978, and Director in July, 1978. Dr. Darius Gaskins, Jr. resigned as Director of the Office of Economic Analysis in June, 1978. In August 1978, Dr. Robert H. Frank served that Office in a consulting capacity. He was named its Director in October 1978.

In September 1978, Reuben B. Robertson was named Director of the Bureau of Consumer Protection, which was formed from the merger of the Bureau of Enforcement and the Office of Consumer Advocate.

KEY PERSONNEL

Chairman	Dr. ALFRED E. KAHN
Special Assistant	MICHAEL ROACH
Vice Chairman	G. JOSEPH MINETTI[8]
Assistant	FREDERIC D. HOUGHTELING
Member	RICHARD J. O'MELIA[8]
Assistant	ELIAS C. RODRIGUEZ
Member	GLORIA SCHAFFER
Assistant	STEPHEN H. LACHTER
Member	Dr. ELIZABETH E. BAILEY
Assistant	DAVID KIRSTEIN
Managing Director	DENNIS A. RAPP
Secretary	PHYLLIS T. KAYLOR
Comptroller	ANTHONY E. TORONTO
Director, Office of Community and Congressional Relations	JOHN A. NAMMACK, Jr.
Congressional Relations Officer	CHARLES T. DONNELLY
Director, Office of Information	WALLACE C. STEFANY
Director, Office of Consumer Advocate	REUBEN B. ROBERTSON
Deputy Director	JOHN T. GOLDEN
Director, Office of Personnel	PATRICK F. BOTTONE
Director, Office of Administrative Support Services	VINCENT J. CHAVERINI
Director, Office of Equal Employment Opportunity	CARL FREEMAN
Director, Office of Economic Analysis	VACANT
General Counsel	PHILIP J. BAKES, Jr.
Deputy General Counsel	GARY J. EDLES
Director, Bureau of Pricing and Domestic Aviation	MICHAEL E. LEVINE
Deputy Director	BARBARA A. CLARK
Director, Bureau of International Aviation	DONALD A. FARMER, Jr.
Deputy Director	ROSARIO SCIBILIA
Director, Bureau of Accounts and Statistics	RAYMOND KURLANDER
Deputy Director	Dr. SAMUEL L. BROWN
Assistant Director for ADP Planning	ROBIN A. CALDWELL
Chief Administrative Law Judge	NAHUM LITT

[8]Member O'Melia served as Vice Chairman through December 31, 1977. Member Minetti served as Vice Chairman from February 3, 1978, through August 31, 1978.

ORGANIZATION CHANGES

During 1978, the Board experienced unprecedented changes that touched practically every aspect of its operations, organizations and resource allocations. To support the current competitive environment and to enhance its ability to administer the Airline Deregulation Act of 1978, the Board realigned many activities and staff.

The Board established the Bureau of Pricing and Domestic Aviation, combining most of the responsibilities, including rate and fare matters, and staff of its predecessors the Bureau of Operating Rights and the Bureau of Fares and Rates. The route licensing and pricing work were integrated to ensure a consistent approach to competitive policies. The Bureau also assists the Board in the development of new regulatory policies which encourage carriers to offer new service at lower fares and to bring consumers the benefits of more widely available and less expensive aviation services.

The Board also reorganized the Bureau of International Aviation and expanded its program activities. The Bureau now assumes primary responsibility for handling international route certification work, and it participates in Board proceedings on all international aviation matters. These changes assured that the major components of the international regulatory system—pricing, route awards and bilateral negotiation strategies—will be assessed from a unified international systems approach to strengthen the Board's contribution to international aviation policy.

The Bureau of Consumer Protection was established by merging the Bureau of Enforcement and the Office of Consumer Advocate. The new organization gives the Board a more integrated consumer program, increases the Board's capability in the area of antitrust enforcement and enhances the Board's ability to inform, assist and protect consumers in their dealings with the air transportation industry.

In preparation for submission of the fiscal year 1979 budget, the Board conducted a zero base review of every aspect of its existing operations. Future program plans and resource allocations were closely scrutinized and analyzed before decisions were made. The process resulted in substantial shifts in the Board's resource base.

The Board also expanded its Work Item Tracking System (WITS) to include miscellaneous items such as special projects and non-docketed work. This added capability enabled operating managers to further expedite the flow of work and insures full utilization of resources.

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EQUAL EMPLOYMENT OPPORTUNITY

The Civil Aeronautics Board continued its strong Equal Employment Opportunity Programs. Vigorous affirmative action efforts have resulted in the employment and advancement of minorities and women into all of the key professional occupations within the agency. The Hispanic Employment Program Manager, the Federal Women's Program Manager, and the Upward Mobility Program Coordinator participated in conducting in-house seminars on awareness on the EEO programs and how they affect both employees and supervisors. During fiscal year 1977 and continuing in 1978, Affirmative Action plans were expended to facilitate the disabled veteran and the physically handicapped.

FINANCING BOARD OPERATIONS

Operating costs are paid from funds appropriated annually by the Congress. Salaries and expenses costs for fiscal years 1977 and 1978 are related man-years of employment follow:

Item	Fiscal 1977	Fiscal 1978
Salaries and expenses (000)	$22,636	$25,246
Work-years of employment	788	806

MONEY RETURNED TO THE TREASURY

The Board collected and deposited $1,568,637 in the miscellaneous receipt accounts in the Treasury. The money was primarily from filing fees. Included in the total was $414,725 received from civil penalties assessed against air carriers.

Receipts From Filing Fees
During the Period October 1, 1977—September 30, 1978

Paragraph	Fees	Number	Year-to-date fiscal year amount
(a) Applications—Section 418	$15	$97	$ 1,455
(a) Applications—Section 401	300	577	173,100
(b) Agreements—Section 412(a)—IATA	50	818	40,900
(b) Agreements—Section 412(a)—Other	50	925	46,250
(b) Agreements—Prior Board Approval	200	28	5,600
(c) Air Cargo Pick-Up & Delivery	175	3	525
(d) Airport Notices/Authorizations	40	101	4,040
(e) Change in Service Pattern—Heli	40	—	—
(e) Change in Service Pattern—Other	300	11	3,300
(f) Change of Name	300	7	2,100
(g) Delay Inauguration/Suspend Services	400	57	22,800
(g) Extend Notice of Embargo	25	4	100
(h) Exemption—Section 401 and Special Authorization—Section 417 and Waiver	300	251	75,300
(i) Exemption—Section 403	50	155	7,750
(j) Other Exemptions	100	773	77,300
(j) Each Additional Charter Named	10	4,776	47,760
(k) Free or Reduced Rate Authority	10	237	2,370
(k) Waiver of Tariff Regulations	10	338	3,380
(k) Special Tariff Permission	10	3,045	30,450
(l) Inclusive Tour Charter Prospectus	50	173	8,650
(m) One-Stop and Special Event Charters	50	1,079	53,950
(n) Study Group Statements	50	—	—
(o) Travel Group Charters	50	—	—
(p) Interlocking Relationships	250	28	7,000
(q) Merger Acquisition of Control not Certified	150	63	9,450
(q) Merger Acquisition of Control Certified	3,000	8	24,000
(q) Lease Purchase Agreements	50	—	—
(r) Motions	50	412	20,600
(s) Air Freight Forwarder	400	62	24,800
(t) Operating Authorization/Military	400	1	400
(t) Bonds/Military	50	—	—
(u) (v) Tariffs Issued	[1]2		313,316
(w) Request for Waiver	[2]25	19	665
(x) Advanced Booking Charters	50	886	44,300
(y) Public Charters	50	31	1,550
Part 298: Air Tax Registration	15	1,349	20,235
Total Filing Fees			$1,073,396

[1]$2 per page.
[2]$25 or 10 percent of fees, whichever is less.

LEGISLATIVE DEVELOPMENTS

LEGISLATION ENACTED

Two bills passed by Congress during fiscal year 1978 directly affected the CAB. The *Airline Deregulation Act of 1978* (Public Law 95-504, approved October 24, 1978) was the first major change in direction for the air transportation industry since the CAB was established in 1938. It phases out domestic regulation of routes by the end of 1981, of rates by the beginning of 1983, and ultimately eliminates the CAB itself in 1985. The Act changed the standard for a carrier to enter a new market from the proposed service being "required" by the public convenience and necessity to being "consistent" with it, and changed the burden of proof from the proponent to the opponent of the application. At the end of 1981, the only requirement a carrier must satisfy will be that of fitness to provide the proposed transportation, and in 1985 even that requirement will be abolished.

The Act also shifts the basic policy guidelines for the Board to favor a freely competitive air transportation system, while providing guarantees of essential air service to small communities.

The *1977 Amendments to the Federal Aviation Act of 1958* (Public Law 95-163, approved November 9, 1977) substantially deregulated the domestic air cargo industry, revoking the core elements of the Board's regulatory powers over domestic air freight, its ability to control entry and exit, and its ability to set or control rates by analyzing the relationship between those rates and carrier costs. It also expanded the war risk insurance of aircraft amending Title XIII of the Federal Aviation Act of 1958 to provide for hijacking or terrorist attacks.

MATTERS PRESENTED TO THE CONGRESS

The CAB's efforts during the fiscal year 1978 were concentrated on providing assistance to Congress in consideration of the deregulation legislation, with particular emphasis being paid to the service to small communities program that the Board had proposed to Congress during the previous year, and which was incorporated into the Act. No additional legislative program was sent to Congress during the fiscal year.

INTERNATIONAL AIR TRANSPORTATION

ECONOMIC SITUATION

The Board's efforts to promote competition and expand opportunities for U.S. carriers have benefited travelers and carriers alike. During the fiscal year, negotiations with Belgium, the Netherlands, Israel, and Germany resulted in Agreements that provide virtually unlimited opportunities for competition. The most important features of these Agreements are the affirmation of competition and the introduction of innovative pricing articles. Under one new type of pricing article effected with some countries, prices are subject to the policies of the country of passenger origin. Other recent procompetitive agreements contain a double disapproval pricing article whereby any fare offered by a carrier goes into effect unless both countries disapprove it. These are in contrast with the traditional pricing articles which give each country the unilateral right to prohibit the fares of any carrier regardless of where the passengers originated.

Besides these new types of pricing articles, the United States was successful in getting some new low fares established with other nations, notably Great Britain and Scandinavia. The result of these efforts was that the actual fares paid, in cents per passenger mile, was less in fiscal year 1978 than the year before, despite inflation. Traffic picked up, and capacity and load factors rose.

Historically, fare reductions have come about not so much through cuts in existing fares but through expanded opportunities to travel on new, cheaper fares. Economy fares were introduced in the 1950's, excursion fares in the 1960's and new types of low fares were also introduced last year. Although first class and unrestricted economy fares generally remained unchanged. Budget fares came into being at prices close to half of the full economy fare. But besides the broadening of fare categories, the restrictions on their use (such as minimum stay requirements) are being reduced, thus making them available to more consumers.

In addition to gaining more opportunities for price competition, the Board expanded the routes of existing carriers. Several carriers have

had old route systems expanded. The Board also permitted local fill-up rights on U.S. domestic portions of international routes, increasing carrier operating flexibility and competitive opportunities. Three U.S. carriers received international scheduled authority for the first time: Rich International to the Caribbean, Capital to Brussels, and World Airways to Amsterdam and Hong Kong.

The carriers, as well as the travelling public, have benefitted from reduced regulation and new route opportunities. The operating profits of most U.S. route carriers were up during the first three quarters of fiscal year 1978 from the corresponding quarters of the previous fiscal year. Charters had their second most active year in history. Although the profits of the supplementals declined, that profit erosion was more than offset by the profit improvement of the route carriers.

As competitive opportunities are expanded, decisions on the mix of scheduled service and charters and their price structure will be left to market forces. In fact, the distinction between scheduled and charter service is being eroded. But the pains of this adjustment to the supplemental carriers are being eased by removing restrictions on their opportunities to offer charters as they wish and also by increasingly granting them scheduled route rights.

BILATERAL RELATIONS

For more than three decades the United States has been among the few nations advocating a relatively competitive international aviation regime. However, our international aviation system is based on a series of bilateral and multilateral agreements that by and large have been implemented in such a way so as to restrict and regulate air travel. The first major agreement known as the Bermuda Agreement was signed by the United States and the United Kingdom in 1946 and served as the model for most other bilaterals until 1976. While the Bermuda Agreement embodes largely competitive principles, the system that arose based upon Bermuda principles was far from competitive. Countries began to rely upon restrictions and anticompetitive measures to protect their carriers. A number of disputes arose and their resolution often required extensive diplomatic negotiations. As a result, air carriers were prohibited from pricing their product and offering their services based on market demands.

The renegotiated United States-United Kingdom bilateral Agreement (known as Bermuda 2, signed July 23, 1977) is the last episode in the history of restrictive markets and triggered a major turning point in U.S. international aviation policy. While the United States has seen to it that interpretation and implementation of the Bermuda 2 Agreement has been done in the most competitive way possible, Bermuda 2 symbolizes the direction we are moving away from. Rather, the United States

international aviation policy is now based upon active procompetitive principles. This procompetitive approach has governed U.S. bilateral aviation negotiations since fall 1977.

President Carter formalized U.S. procompetitive international aviation policy on August 21, 1978. The "United States Policy for the Conduct of International Air Transportation Negotiations" represents a sharp contrast to Bermuda 2 and preceding practices. The policy is based on the principles of maximizing benefits for travelers and shippers, reducing government restrictions on international aviation and relying on competitive market forces to the greatest extent possible.

In fiscal year 1978 U.S. negotiators concluded a number of procompetitive bilateral aviation agreements, the most liberal of which were with Belgium, Israel, Korea, Germany and the Netherlands. All of these liberalized routes available to U.S. carriers and rules under which charters are operated, and greatly expanded carriers' opportunities to price their product according to market demands. Before 1978, prices were primarily set by the International Air Transport Association (IATA) Conference machinery and few deviations from IATA fare levels were tolerated by foreign governments. However, the two most liberal of the new agreements, those with Belgium and Israel, removed governments from most pricing decisions by requiring that both governments must consent to disapprove a price before carriers can be prevented from offering it to the marketplace. Some of the other agreements, such as those with Germany and the Netherlands, permit each country to exercise unilateral control over prices only when the price applies to traffic originating in its own country.

While the United States policy aims at increasing competition in world markets, this objective is far from universally accepted. Many countries see little reason to change the *status quo* and perceive the new U.S. policy as a threat to their interests. But the United States, nonetheless, is committed to increasing competition to the maximum extent possible. In many situations it is fully consistent with U.S. policy to make as much progress as possible in eliminating restrictions and otherwise opening up opportunities for U.S. carriers to compete. Thus, efforts during 1978 such as those with Peru to minimize restrictions on U.S. carriers are also significant and fully consistent with U.S. procompetitive policy objectives. Bilateral agreements concluded during 1978 will be discussed in the following sections.

Bilateral Agreements

There were 77 bilateral air transport agreements in force at the end of fiscal year 1978 (See Exhibit 1), as compared to 74 in the preceding fiscal year.[9] Three new agreements were concluded during the year, with the Ivory Coast, Senegal, and Singapore. Bilateral air transport agreements define comprehensive, formal legal instruments for governing U.S. air relations with other countries.

The total number of air transport agreements in force at the end of the fiscal year included 13 agreements with as many countries, based on an assumption of rights and obligations relating to agreements concluded between the United States and the former motherland country, specifically, France or the United Kingdom. The number also includes seven agreements providing in a single legal instrument the conditions of regulation of both charter and scheduled air services, as distinct from a separate agreement for each type of service. Most of the existing agreements in force were limited to scheduled air services, leaving the regulation of charter air services to *ad hoc* or unilateral arrangeements. Present policy is to negotiate new agreements or to expand existing ones to include both charter and scheduled air relations in a single instrument. The agreements in force at the end of fiscal year 1978, in a further classification of air transport agreements with other countries, incorporate separate agreements governing charter and scheduled air services, specifically, in the cases of Canada and Yugoslavia.

During the year, one country—Austria—denounced its Air Transport Agreement with the United States. This action centered mostly on a question of the Fifth Freedom rights of the Agreement, and a demand for limiting U.S. carrier use of such rights. In the viewpoint of the United States, renewal of the agreement with such limitations would be an unacceptable restriction on competition.[10]

The United States conducts air relations with a number of countries throughout the world without benefit of a formal accord or air transport agreement. In such cases, the air relations are initiated and managed or regulated on the basis of unilateral grants of operating authority by each country in accordance with the principles of comity and reciprocity. The list of countries defining this situation, with flag services of both or either country, include Argentina, the Philippines, and generally most countries of Central America and Africa.

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[9]The Board's Annual Report to the Congress for fiscal year 1977 incorrectly gave the total number of agreements in force at the end of the fiscal year as 75. The correct number was 74.

[10]Subsequently, effective March 10, 1979 the Agreement lapsed in accordance with its provisions for denuciation and termination. But operations other than the disputed Fifth Freedom rights were not affected and continue by mutual consent.

Exhibit 1

Bilateral Air Transport Agreements in Force on 30 September 1978*

Australia
Austria (9)
Bahamas (1)
Belgium (2)
Bolivia
Brazil
Burma
Canada (3)
Chile
China, Republic of
Columbia
Congo (Brazzaville) (1)
Cuba
Cyprus (1)
Czechoslovakia
Denmark
Dominican Republic
Ecuador
Egypt
Finland
France
Gambia (1)
Germany (2)
Ghana (1)
Greece
Guyana (1)
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel (2)
Italy
Ivory Coast (2)
Jamaica
Japan
Jordan (4)
Korea, Republic of
Lebanon
Liberia (5)
Malagasy Republic (1)
Malaysia
Malta (1)
Mauritius (1)
Mexico
Morocco
Netherlands (2)
New Zealand
Nigeria (5)
Norway
Pakistan (6)
Panama
Paraguay
Peru
Poland
Portugal
Romania (7)
Senegal (2) (8)
Sierra Leone (1)
Singapore
South Africa
Spain
Sri Lanka (1)
Sweden
Switzerland
Syria
Thailand
Trinidad & Tobago (1)
Turkey
United Kingdom (2)
USSR
Uruguay
Venezuela
Yugoslavia (3)
Zaire
Zambia (1)

*"Agreement" defines a formal legal instrument, covering major aspects of the air transport relation, limited to scheduled air services unless noted otherwise.

Notes:

(1) Agreement with subject country based on an assumption of rights and obligations under the agreement in force at the time of assumption between the former motherland country—specifically, France or the United Kingdom (since succeeded by a new agreement)—and the United States.

(2) Agreement covers both scheduled and nonscheduled/charter air services, in the case of Belgium, Germany, Israel, Netherlands, and the United Kingdom, and additionally the Ivory Coast and Senegal in Africa.

(3) Scheduled and charter air relations between the United States and Canada, and with Yugoslavia, are covered by a separate bilateral Air Transport Agreement for each type of air service.

(4) Air relations with Jordan are covered by an Agreement in the case of charter air services and by an exchange of notes for scheduled air services applying through 31 December 1980.

(5) In addition to agreements with Liberia and Nigeria covering scheduled air relations—both based on assumption of rights and obligations—a memorandum of understanding has been signed with each country applying to charter air services.

(6) Upon partition from India, in 1948, Pakistan accepted the U.S. Air Transport Agreement with India as its own.

(7) Agreement with Romania expired 31 October 1976, but continues in operation on a *de facto* basis, pending renegotiation of a new agreement.

(8) *Ad referendum*.

(9) The Agreement with Austria lapsed March 10, 1978.

Geographic Assignments

Activities of the Board pertaining to bilateral air transport relations with other nations are organized on the basis of four geographic areas of responsibility (See Exhibit 2).

The four areas comprise essentially:

Area I—Western Hemisphere

North America or Canada and Mexico, Central America including the Central America Republics and the Caribbean Island nations and dependencies, and South America.

Area II—North Europe

Europe defined to include countries in western Europe, as well as Iceland and Greenland, the Scandinavian countries to the north, eastern European countries and the Soviet Union, and Europe to the south to exclude countries touching the Mediterranean with the exception of France.

Area III—Mediterranean and Africa

Southern Europe (Portugal, Spain, Italy, Greece, and Turkey), Malta, the Middle East (Lebanon and Israel east to and including the Persian Gulf nations and Iran), all of Africa, and the island nations of the Malagasy Republic and Mauritius in the Indian Ocean.

Area IV—Pacific and Far East

Asian perimeter countries from Afghanistan to China, the island nations of Japan and the Philippines down to Australia and New Zealand, and eastward across the South Pacific.

The implications for conducting current or potential air relations on a world plane can be further appreciated in terms of the number of countries and dependencies that each area of responsibility encompasses: Area I (35), Area II (24), Area III (70), and Area IV (33). Or, a total of 162 foreign political entities including 12 dependencies.

Exhibit 2

Geographic Assignments in the Conduct of Air Transport Relations

Area I. Western Hemisphere

*Antigua (UK)
*Argentina
*Bahamas
*Barbados
*Bermuda (UK)
*Bolivia
*Brazil
*Cayman Island (UK)
*Canada
*Chile
*Colombia
*Costa Rica
Cuba
*Dominican Republic
*Ecuador
*El Salvador
Grenada
*Guadaloupe (Fr)
*Guatemala
*Guyana
*Haiti
Honduras
*Jamaica
*Martinique (Fr)
*Mexico
*Netherlands Antilles (Ne)
*Nicaragua
*Panama
*Paraguay
*Peru
*St. Luicia
Surinam
*Trinidad and Tobago
*Uruguay
*Venezuela

Area II. Northern Europe

Albania
*Austria
*Belgium
Bulgaria
*Czechoslovakia
Denmark
*Federal Republic of Germany
Finland
*France
German Democratic Republic
Greenland (Denmark)
Hungary
Iceland
*Ireland
Luxembourg
*Netherlands
Norway
*Poland
Romania
Sweden
*Switzerland
*United Kingdom
USSR
Yugoslavia

Area III. Mediterranean & Africa

*Algeria
Angola
*Azores (Portugal)
*Bahrain
Benin
Botswana
Burundi
Cameroon
Cape Verde Islands
Central African Republic
Chad
Congo (Brazzaville)
Cyprus
*Egypt
Equatorial Guinea
Ethiopia
Gabon
Gambia
*Ghana
*Greece
Guinea
Guinea Bissau
*Iran
Iraq
*Israel
*Italy
*Ivory Coast
Jordan
Kuwait
Lebanon
Lesotho
*Liberia
Libya
Malagasy Republic
Malawi
Mali
Malta
Mauritania
Mauritius
*Morocco
Mozambique
Niger
*Nigeria
Oman
*Portugal
Qater
Rhodesia
Rwanda
San Tome and Principe
Saudi Arabia
*Senegal
Sierra Leone
Somalia
*South Africa
*Spain
Sudan
Swaziland
Syria
Tanzania
Togo
Tunisia
*Turkey
Uganda
United Arab Emirates
Upper Volta
Yemen Arab Republic
People's Democratic Republic of Yemen
Zaire
Zambia

Afghanistan
*Australia
Bangladesh
Bhutan
Burma
*China, People's Republic
China, Republic of
Democratic Kampuchea/
Cambodia
*Fiji
*Hong Kong (UK)
*India
Indonesia
*Japan
*Korea (South)
Korea (North)
Laos
*Malaysia
Mongolia
Nauru
Nepal
*New Zealand
*Okinawa (Japan)
*Pakistan
Papua New Guinea
*Philippines
Republic of Maldives
*Singapore
Sri Lanka
*Tahiti (Fr)
*Thailand
Tonga
Viet Nam
Western Sauce

**U.S. air carrier scheduled, combination services in December 1978.*

Consultations and Negotiations

Western Hemisphere (Area I)

After nearly five years of negotiations the United States and *Mexico* reached agreement on 1) a new route package which provides the basis for new or improved service between the two countries for 33 U.S. cities and 21 cities and resorts in Mexico, 2) a Memorandum of Understanding for expanded charter services, 3) a commitment by both governments to encourage reduced passenger fares and cargo rates, and 4) the duty-free entry of airline travel brochures, pamphlets and travel posters promoting or facilitating international travel.

Negotiations with *Paraguay* resulted in a Memorandum of Understanding that amended the bilateral Agreement of 1948. The existing article on user charges was amended, and new articles covering pricing, charters, and aviation security were added. Agreement was also reached on an initial route to the United States for the Paraguayan flag carrier, LAP.

Consultations were held with *Canada* to discuss Canada's suspension of U.S. carriers' low-fare proposals. Although most fare problems were not resolved, the Canadians did agree to allow Hughes Airwest's business coach fare.

Talks with *Venezuela* resolved a U.S. carrier problem with service south of Caracas. Charter negotiations with *Argentina* and two rounds of talks with *Peru* on all facets of our aviation relations concluded without agreement.

The Area processed over 100 applications from U.S. air taxi operators for designation by the U.S. Government under the U.S.-Canada Nonscheduled Air Service Agreement to operate nonscheduled air services between the two countries.

Northern Europe (Area II)

Unsuccessful negotiations were held with *Austria* in February 1978 to remove Austrian imposed limitations on U.S. carrier Fifth Freedom traffic rights on service intermediate to and beyond Vienna. The Austrians refused to allow these rights to be exercised, and, when the United States insisted on retaining these rights, ended the consultations with a notice of termination of the 1966 Air Services Agreement, effective March 10, 1979.

The United States-*Belgium* Agreement, signed in November 1978, is the most liberal of its kind ever achieved. The Agreement advances the U.S. objectives of more competition and less government regulation in international air service. It grants the Belgian objectives of access to additional U.S. cities, liberalized beyond rights from U.S. points and deregulation of cargo operations. The U.S. objectives of a mutual suspension rate article, unlimited beyond rights from Brussels for U.S. carriers, and reaffirmation of multiple designation rights for both countries were also achieved.

At the request of the Government of *Finland*, negotiations were held in Washington after the close of the fiscal year, from December 6-8, 1978 to discuss additional landing rights in the United States for Finnair. The United States wanted to achieve a liberal (Belgian) type agreement with Finland. No agreement was reached. Diverse views on pricing, charters, change-of-gauge operations, and competition prevented the two sides from achieving an understanding at that time. Both parties agreed to review the matter and resume discussions at a mutually satisfactory future date.

A number of significant problems arose with France during 1978. In April, Pan American was denied the right to operate to Paris via London with a change of aircraft at London, in violation of the Air Services Agreement of 1946. Two rounds of consultations failed to resolve the issue and both governments agreed to binding arbitration. An arbitration tribunal was selected and a decision upholding the United States was rendered in December 1978.

Difficulties also arose with respect to Trans World Airlines carriage of local (Fifth-Freedom) Paris-Tel Aviv and Paris-Cairo traffic. The French claimed that the proportion of Fifth Freedom traffic in both markets exceeded that permitted by the Agreement and that TWA's operations should therefore be reduced in order to decrease the diversion from Air France and El Al. During consultations in September 1978, the United States agreed to an *ex post facto* review of TWA's Fifth Freedom Traffic in the markets concerned. The United States further agreed that, if no improvement was found in the proportion of this traffic carried by TWA, it would take the actions necessary to correct the imbalance. The review was to be completed in April, 1979, the

data being provided to French authorities who will call for consultations if they seem appropriate.

Negotiations with *Germany* resulted in an Agreement, signed November 1, 1978, which substantially liberalized the existing air regime between the two countries. The United States achieved its goals of open beyond rights for American carriers serving Germany, removal of capacity restrictions, the ability to substitute one aircraft size of another when needed, and reaffirmation of its right to designate as many U.S. carriers to serve Germany as may be deemed appropriate. In return, the Germans were granted the right to serve six new points in the United States (to be phased in by 1981) and open beyond rights.

Notwithstanding the fact that the U.S.-German Agreement was a major accomplishment, it also called for consideration of further liberalizations in two years. At this time, however, no specific date has been set to continue negotiations.

In March, 1978 the United States and the *Netherlands* signed an Air Transport Agreement which significantly expanded the opportunities for low-fare competitive services, both scheduled and charter, between the two countries.

The agreement permitted charter traffic departing from one country to be carried in accordance with such rules as that country may promulgate. Similarly, fares and rates for traffic moving from one country to the other on scheduled air services are subject to the sole control of the first country. These provisions allow, with a minimum of government intervention, the free play of normal market forces to the benefit of the consumer. In addition, the agreement also reaffirms the right for U.S. airlines to provide scheduled service between any cities in the United States to Amsterdam and beyond. The Dutch airlines continue to have landing rights at New York, Chicago, and Houston and receive new landing rights at Los Angeles and another U.S. point to be selected by the Netherlands.

The two countries have agreed to continue discussions to further liberalize the agreement and provide even more benefits to the traveling public.

Delegations representing the Government of the United States and the Government of the *Polish Peoples' Republic* met in Washington just after the fiscal year end, November 6-9, 1978 to discuss the amendment and extension of the U.S.-Poland Air Transport Agreement of June 19, 1972. During the course of these discussions, the Delegations reached a Memorandum of Consultation (MOC) which renewed the Air Transport Agreement for three years. The MOC provided for the elimination of capacity restraints and frequency limitations, established country of traffic origin control over all air fares, scheduled and charter, and eliminated all constraints on the intermediate and

beyond points in the U.S. route. In addition, the Polish carrier, LOT, will be given scheduled route rights to one additional point in the United States when the operation of widebodied aircraft at the Warsaw airport is confirmed. The United States will also be granted a second point in Poland at that time.

Negotiations with *Romania* concluded with the signing of an *ad referendum* Memorandum of Understanding. The Memorandum of Understanding renews and amends the U.S.-Romania Civil Air Transport Agreement of 1973, which had expired on March 31, 1977, for a period of two years from the date of an exchange of diplomatic notes. During the course of those negotiations, the United States achieved all of its objectives. The Memorandum of Understanding provides virtual "open skies" for scheduled and charter operations by U.S.-designated carrier(s) through the establishment of a country-of-origin regime for both scheduled and charter capacity, pricing and charterworthiness rules.

Early in 1978 agreement was reached with the *United Kingdom* to expand the Bermuda 2 Agreement to cover charter air services, with specific rights and temporary limitations over the North Atlantic. Repeated attempts to regain the right to designate more than one U.S. scheduled combination passenger/cargo service airline on the Boston-London route were fruitless. In late 1978 talks began to liberalize and expand the scope of the cargo charter provisions agreed earlier.

Mediterranean and Africa (Area III)

The United States held negotiations with the Government of *Israel* during June and July 1978 which led to a liberal Protocol that was signed August 16, 1978. Under the terms of the Protocol Israel was granted up to four additional U.S. cities of its choice in exchange for, among other things, liberal pricing and capacity provisions and charters according to the rules of the country of traffic origin. Israel selected Chicago and Miami. The two other points were to be selected after August 1, 1979 when the liberalized pricing article was to become effective.

Successive negotiating sessions during October-November 1977 in West Africa led to Air Transport Agreements with *Liberia*, the *Ivory Coast* and *Nigeria* and to the conclusion of an *ad referendum* Agreement with *Senegal*. The Agreements with Senegal and Liberia authorized charter services according to the rules of the country of traffic origin, and that with the Ivory Coast encouraged and facilitated charter services. By placing air transportation relations under intergovernmentally agreed regimes, the four bilateral agreements enhanced the stability of U.S. aviation ties throughout the closely connected markets of West Africa.

The United States held two consultations with *Italy* during the fiscal year to discuss again seasonal capacity and possible revision of the Air Transport Agreement.

During consultation with *Egypt* in March 1978 the United States discussed frequency problems encountered by the U.S. carrier serving the market, which resulted in some improvement.

In December 1977 and March 1978 the United States and *Saudi Arabia* held consultations to discuss a possible bilateral air transport agreement. The Saudis agreed to most of the U.S. standard bilateral text but no agreement was reached on the important issues of multiple designation, frequency, capacity, routes and charters because of Saudi insistence on a restrictive aviation regime.

Pacific and Far East (Area IV)

A significant step forward in implementing a more competitive aviation environment in the Pacific area was achieved on September 22, 1978 with the signing of an *ad referendum* Memorandum of Understanding (MOU) with *Korea* containing several procompetitive provisions. When ratified, the MOU will amend the United States-Korea Air Transport Agreement to incorporate a new pricing article, a liberal charter agreement, a provision ensuring U.S. carriers the right to perform their own cargo handling at Seoul, a provision to eliminate certain discriminatory practices, and expanded route authority. The MOU also confirms the United States' right to designate an unlimited number of carriers to serve Korea. Under the new pricing article, a price can be disapproved only if both governments disapprove it (with the exception of predatory or discriminatory prices). In exchange for acceptance of these liberalizations, Korea was granted traffic rights at New York and a mandatory stop at Honolulu on Korea's combination service to Los Angeles was removed.

An Air Transport Services Agreement was signed with *Singapore* on March 12, 1978 expanding passenger and cargo transportation opportunities between the two countries. Singapore was granted a route from Singapore via Hong Kong to Guam, Honolulu, and San Francisco. The U.S. route permits service from the United States to Singapore via (either as intermediates or beyond points) Japan, Korea, Hong Kong, Taiwan, the Philippines, Thailand, Indonesia and Malaysia. The Agreement commits both governments to encouraging airlines to operate low fares. Through a separate exchange of diplomatic notes, a liberal charter agreement was also brought into effect.

Negotiations with *Japan* were held in October 1977 and March 1978, with little progress at either session. The October talks were requested by the Japanese for the purpose of renegotiating the Air Transport Agreement. The Japanese were intent on reducing U.S. route rights,

restricting capacity, and limiting the number of U.S. airlines permitted to serve Japan, while expanding Japanese route rights. When negotiations resumed in March, both sides agreed to work toward a limited three-year agreement in view of the limited potential for growth in airport capacity over the next few years in Japan. The Japanese sought new routes to Seattle, Chicago, Dallas or Houston, and beyond New York to Brazil. The United States sought: (1) an agreement on charters, (2) a statement endorsing low fares, (3) additional landing slots for scheduled operations at Tokyo's Narita Airport, and (4) an understanding that existing U.S. carrier operations beyond Japan will be discussed in later negotiations.

In February, the first of several negotiations with *Australia* was held in Canberra aimed at gaining entry of Continental Airlines' proposed service to Australia. The Australian Delegation stated that Continental's service was not consistent with the bilateral agreement and proposed revising it along principles opposed to U.S. policy. After lengthy talks in the fall, an interim agreement was reached that facilitated Continental's entry and also permitted substantially reduced prices for U.S.-Australia travel. (Continental was awarded authority in July 1977 to serve American Samoa, Fiji, New Zealand and Australia. The carrier planned to begin service to the South Pacific on May 1, 1979.)

In other negotiations aimed at gaining acceptance of Continental's proposed South Pacific service, a Memorandum of Consultations was signed with *New Zealand*, stating that designation of Continental is consistent with the Agreement. Fiji's willingness to accept Continental's proposed service and interest in a liberal aviation agreement was explored in informal talks held with *Fiji* February 10. At the end of the fiscal year, further negotiations with Australia, New Zealand, and Fiji, as well as the *Philippines* and *Papua New Guinea*, were planned for October and November 1978.

As a result of normalization of relations with the *Peoples Republic of China*, it is anticipated that aviation negotiations with China will take place next year.

TRAFFIC DIMENSIONS

Air Carriers

U.S. scheduled carriers—A total of 21 U.S. flag carriers were engaged in operating scheduled air services to foreign countries and their dependencies at the close of calendar year 1978 (See Exhibit 3). This number reflects an increase of one additional carrier from the previous reporting period. The U.S. carrier in question, specifically, Continental Airlines, commenced scheduled air service between Saipan and Tokyo

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in 1978, and was slated to inaugurate service in May 1979 to the South Pacific including Australia, Fiji, and New Zealand.

Together the 21 U.S. carriers, including two all-cargo carriers, provided scheduled air services to a total of 62 countries and 12 dependencies and to a total of 116 points.[11] Of this number of carriers, 11 operated scheduled services to Canada, followed by Mexico with 7 U.S. carriers in service to that country. Germany, Japan, and the United Kingdom followed next in numbers of U.S. carriers with scheduled air services to these countries.

Two U.S. carriers—Braniff and Delta—entered the European market for the first time, each commencing scheduled air services to London, while National Airlines expanded its European services to Amsterdam, Frankfurt, and Paris, in addition to its existing service to London.

U.S. charter carriers. The identifiable scheduled carriers above are also all authorized to operate charter flights in foreign markets. The list of carriers so engaged or authorized also includes U.S. carriers which were later to be designated charter air carriers under the Deregulation Act of 1978. This class of carriers, formerly called supplemental air carriers, includes Capital International, Evergreen International, Trans International, and World Airways. Each of these four carriers has received exemption authority from the CAB to engage in overseas scheduled passenger air services. Trans International announced its intention to start such service to Amsterdam, Frankfurt, and Paris in May 1979. The others were expected to announce similar intentions.

U.S. commuter air carriers. A number of U.S. commuter air carriers have authority to operate scheduled international and international operations are also conducted by air taxi operators. Their operations are concentrated in the U.S.-Canada market, which includes a large number of Canadian air taxi companies.

Foreign scheduled carriers. A total of 73 foreign air carriers were engaged in operating scheduled services to a total of 24 points in the 50 states and to seven U.S. territories at the close of calendar year 1978 (Exhibit 4). Three U.S. points—Los Angeles, Miami, and New York—easily accounted for the largest number of foreign air carriers, followed farther on by Anchorage, Boston, and Chicago. The year was marked by the start of scheduled air services by Caribbean Airways to Boston and Washington, Sabena to Bangor, British Calendonian to Houston, Laker Airways to Los Angeles, British Airways to San Francisco, Icelandic Airlines to Baltimore/Washington, and by Japan Air Lines to Saipan.

Three of the foreign air carriers operating scheduled services to U.S. points were consortiums; they were Air Pacific, Air Afrique, and Scandinavian Airlines System/SAS.

Foreign charter carriers. In addition to the charter authority granted by the United States to foreign scheduled carriers, a number of foreign

charter-only carriers—over 100 in number, as of the end of 1978—were licensed to engage in charter operations to the United States.

Exhibit 3

Foreign Points & Countries Served by U.S. Carriers in Scheduled Service*

(Point)	(Country)	(Carrier Code)**
North America:		
Acapulco	Mexico	AA, BN, EA, WA
Calgary	Canada	RW, WA
Edmonton	Canada	NW, RW, WA
Guadalajara	Mexico	RW, TI WA
La Paz	Mexico	RW
Mazatlan	Mexico	RW
Merida	Mexico	EA
Mexico City	Mexico	AA, BN, EA, PA, TI, WA
Monterry	Mexico	TI
Montreal	Canada	AA, AL, DL, EA
Old Crow	Canada	WC
Ottawa	Canada	EA
Puerto Vallarta	Mexico	RW
Thunder Bay	Canada	NC
Toronto	Canada	AA, AL, EA, NC, UA
Vancouver	Canada	UA, WA
Whitehorse	Canada	WC
Winnipeg	Canada	FL, NC, NW
Central America		
Aruba	N. Antilles	AA
Balboa/Panama City	Panama	BN, PA
Bridgetown	Barbados	AA, EA
Curacao	N. Antilles	AA
Fort-de-France	Martinique (Fr)	AA, EA
Freeport	Bahamas	DL, EA
Grand Cayman	Cayman Is (UK)	SO
Guatemala City	Guatemala	PA
Hamilton	Bermuda (UK)	AA, DL, EA
Kingston	Jamaica	AA, EA
Managua	Nicaragua	PA
Montego Bay	Jamaica	AA, EA
Nassau	Bahamas	DL, EA, PA
Pointe-a-Pitre	Guadaloupe (Fr)	AA, EA
Port-au-Prince	Haiti	AA, EA, PA
Port of Spain	Trinidad & Tobago	EA, PA
St. John's	Antigus	EA
St. Lucia	St. Lucia	EA
St. Martin	N. Antilles	AA, EA
San Jose	Costa Rica	PA
San Salvador	El Salvador	PA
Santo Domingo	Dominican Republic	AA, EA, PA
South America:		
Asuncion	Paraguay	BN
Bogota	Colombia	BN
Brasilia	Brazil	PA
Buenos Aires	Argentina	BN, PA
Cali	Colombia	BN

Exhibit 3—Continued

Foreign Points & Countries Served by U.S. Carriers in Scheduled Service*

(Point)	(Country)	(Carrier Code)**
South America—Continued		
Caracas	Venezuela	DL, PA
Georgetown	Guyana	PA
Guayaquil	Ecuador	BN
La Paz	Bolivia	BN
Lima	Peru	BN
Manaus	Brazil	BN
Maracaibo	Venezuela	DL, PA
Montevideo	Uruguay	PA
Quito	Ecuador	BN
Rio de Janeiro	Brazil	BN, PA
Santiago	Chile	BN, PA
Sao Paulo	Brazil	BN, PA
Northern Europe		
Amsterdam	Netherlands	NA, SB
Berlin	Germany	PA
Brussels	Belgium	PA
Dublin	Ireland	TW
Dusseldorf	Germany	PA, SB
Frankfurt	Germany	NA, PA, SB, TW
Geneva	Switzerland	TW, SB
Hamburg	Germany	PA
London	United Kingdom	BN, DL, PA, SB, TW
Munich	Germany	PA, SB
Nice	France	PA
Nuremberg	Germany	PA
Paris	France	NA, SB, TW
Prague	Czechoslovakia	PA
Shannon	Ireland	TW
Stuttgart	Germany	PA, SB
Vienna	Austria	TW
Warsaw	Poland	PA
Zurich	Switzerland	SB
Mediterranean		
Athens	Greece	TW
Barcelona	Spain	TW
Istanbul	Turkey	PA
Lisbon	Portugal	TW
Madrid	Spain	TW
Malaga	Spain	TW
Manama	Bahrain	PA, TW
Milan	Italy	SB, TW
Pisa	Italy	SB
Rome	Italy	TW
Santa Maria	Azores (Portugal)	TW
Teheran	Iran	PA
Tel Aviv	Israel	TW
Africa		
Abidjan	Ivory Coast	PA
Accra	Ghana	PA
Cairo	Egypt	TW
Casablanca	Morocco	TW
Dakar	Senegal	PA

Exhibit 3—Continued

Foreign Points & Countries Served by U.S. Carriers in Scheduled Service*

(Point)	(Country)	(Carrier Code)**
Africa—Continued		
Johannesburg	South Africa	PA
Lagos	Nigeria	PA
Monrovia	Liberia	PA
Nairobi	Kenya	PA
Pacific and Far East		
Far East		
Bangkok	Thailand	PA
Hong Kong	United Kingdom	FT, NW, PA
Kao-hsiung	China, Republic of	FT
Karachi	Pakistan	PA
Kuala Lumpur	Malaysia	PA
Manila	Philippines	FT, NW, PA
Naha	Okinawa (Japan)	FT, NW, PA
New Delhi	India	PA
Osaka	Japan	FT, NW, PA
Seoul	Korea	FT, NW
Singapore	Singapore	PA
Taipei	China, Republic of	FT, NW, PA
Tokyo	Japan	CO, FT, NW, PA
Pacific		
Auckland	New Zealand	PA
Melbourne	Australia	PA
Nadi	Fiji	PA
Papeete	Tahiti (France)	PA
Sydney	Australia	PA

*As of December 1978

**Carrier Codes:

AA American Airlines	NW Northwest Orient Airlines
AL Allegheny Airlines	PA Pan American World Airways
AS Alaska Airlines	RW Airwest
BN Braniff International Airways	SB Seaboard World Airlines (all-cargo carrier)
CO Continental Airlines	SO Southern
DL Delta Air Lines	TI Texas International Airlines
EA Eastern Air Lines	TW Trans World Airlines
FL Frontier Airlines	UA United Air Lines
FT Flying Tiger Lines (all-cargo carrier)	WA Western Air Lines
NA National Airlines	WC Wien Air Alaska
NC North Central Airlines	

Exhibit 4

U.S. Points Served by Foreign Air Carriers in Scheduled Services*

(Point)	*(Carrier)***
Anchorage	AF, BA, JL, KL, LH, SK, SN
Bangor	SN
Boston	AC, AF, AZ, BA, IB, IN, IQ, LH, SR, TP
Chicago	AC, AF, BA, IN, JM, KL, LH, LL, MX, SK, SR
Cleveland	AC
Dallas/Fort Worth	AC, MX
Denver	MX

Exhibit 4—Continued
U.S. Points Served by Foreign Air Carriers in Scheduled Services*

(Point)	(Carrier)**
Detroit	BA, JM
Honolulu	CI, CP, JL, KE, PR, QF, TE
Houston	AC, AF, AM, BR, KL
Kansas City	MX
Ketchikan	CD
Los Angeles	AC, AF, AM, AR, AV, BA, CI, CP, EU, GK, JL, KE, LH, MX, OP, PL, RG, SK, TE, UT
Miami	AC, AF, AM, AR, AV, BA, BW, DO, EU, GU, IB, JM, KX, LA, LB, LM, LR, MX, NI, OD, OK, OP, PL, RG, TA, TX, UP, VA
New Orleans	GU, SH, TA
New York	AC, AF, AI, AM, AR, AT, AV, AY, AZ, BA, BW, DO, EU, GK, IB, IN, IR, IT, JL, JM, JU, KL, LA, LH, LL, LM, LO, LY, OA, OK, OP, PK, RB, RG, RJ, RK, RO, SA, SK, SN, SR, SU, TL, TP, VA, WT
Philadelphia	BA, JM, LH
St. Louis	MX
San Antonio	MX
San Francisco	AC, BA, CI, CP, JL, QF, PR
Seattle	PW, SK
Tampa	AC
Tucson	AM
Washington	AF, BA, IB, IQ, SU
Washington/Baltimore	LL, VA
U.S. Territories	
Guam, Mariana Islands	JL, ON
Majuro, Marshall Islands	ON
Pago Pago, American Samoa	FJ, PH, TE
Saipan	JL
San Juan, P.R.	AF, AV, BW, DO, IB, LI, LM, MX
St. Croix, V.I.	LI
St. Thomas, V.I.	LI

*As of 31 December 1978
**_Carrier Codes:_

AC Air Canada
AF Air France
AI Air India
AM AeroMexico
AR Aerolineas Argentinas
AT Royal Air Maroc
AV Avianca (Colombia)
AY Finnair
AZ Alitalia
BA British Airways
BR British Caledonian Airways
BW British West Indian Airways/BWIA
CD Trans-Provincial Airlines
CI China Airlines/CAL
CP CP Air (Canada)
DO Dominicana de Aviacion (Dom. Rep.)
EI Aer Lingus (Ireland)
EU Ecuatoriana (Ecuador)
FJ Air Pacific[1]
GK Laker Airways (United Kingdom)
GU Aviateca (Guatemala)
IB Iberia (Spain)
IR Iranair (Iran)
IQ Caribbean Airways
IT Air Inter (France)
JL Japan Air Lines JAL
JM Air Jamaica
JU Yugoslav Airlines
KE Korean Air Lines/KAL
KL Royal Dutch Airlines/KLM
KX Cayman Airways (United Kingdom)
LA LAN CHILE
LB Lloyd Aereo Boliviano/LAB
LH Lufthansa
LI Leeward Islands Air Transport/ LIAT

LL Icelandic Airlines
LM Antillean Airlines/ALM
LO Polish Airlines/LOT
LR LACSA (Costa Rica)
LY El Al (Israel)
MX Mexicana de Aviacion
NI LANICA (Nicaragua)
OA Olympic Airways (Greece)
OD Aerocondor (Colombia)
OK Czechoslovakia Airlines/CSA
ON Air Nauru
OP Air Panama
PH Polynesian Airlines (W. Samoa)
PK Pakistan Int'l Airlines/PIA
PL AeroPeru
PR Philippines Air Lines/PAL
PW Pacific Western (Canada)
QF Qantas (Australia)
RB Syrian Arab Airlines
RG Varig
RI Royal Jordanian Airlines/ALIA
RK Air Afrique[2]
RO Tarom (Romania)
SA South African Airways
SH SAHSA (Honduras)
SK Scandinavian Airlines System/SAS[3]
SN Sabena
SR Swissair
SU Aeroflot
TA TACA International (El Salvador)
TE Air New Zealand
TL Trans-Mediterranean Airways (Lebanon)
TP Transportes Aereos Portugueses/TAP
TX TAN Airlines (Honduras)
UP Bahamasair/OIA
UT Union de Transports Aeriens/UTA
VA VIASA (Venezuela)
WT Nigerian Airways

[1]Consortium. Ownership: British Solomon Islands Protectorate, Fiji, Gilbert & Tuvalu, Nauru, Tonga, and Western Samoa. And additionally Air New Zealand, British Airways, and Qantas.
[2]Consortium. Ownship: Benin, Central African Republic, Chad, Congo, Ivory Coast, Mauritania, Niger, Senegal, Togo, and Upper Volta.
[3]Consortium. Ownership: Danish Airlines, Norwegian Airlines, and Swedish Airlines (in turn, 50 percent government owned & 50 percent private).

Passenger Traffic

General—Total U.S. air passenger traffic increased from 26.7 million in 1973 to 28.5 million in 1977. This modest increase for the 5-year span does not fully reflect the downturn in traffic during the energy crisis. The figures include passenger arrivals and departures on scheduled and chartered flights by U.S. and foreign-flag carriers. (Exhibit 5.)

U.S. citizen travel also increased in 1977 and has recovered from the downturn. Alien traffic, however, has increased in every year since 1973. In that year there was a total of 10.4 million compared with 12.0 million in 1977. While the U.S. citizen share of total air traffic in 1977 increased by one percent over 1976, it fell short of 1973 by 3.2 percent.

Exhibit 5

Air Passenger Travel Between the United States and Other Countries by Citizenship, Calendar Years 1973-1977[1]

Year	Number of Passengers (000)			Percent
	U.S. Citizens	Aliens	Total	U.S. Citizen
1973	16,306	10,353	26,659	61.2
1974	15,317	10,739	26,056	58.8
1975	14,623	11,205	25,828	55.6
1976	15,455	11,646	27,100	57.0
1977	16,532	11,973	28,505	58.0
Percent change 1977/1973	1.4	15.6	6.9	.....

[1]Based on number of air passenger arrivals and departures at U.S. gateway points with the exclusion of travel over land borders (except Mexican air travel), military personnel, crewmen, and travelers between the United States and its possessions.

Source: "Reports of Passenger Travel Between the United States and Foreign Countries," Immigration and Naturalization Service, U.S. Department of Justice, Washington, D.C. and "U.S. International Air Travel Statistics," U.S. Department of Transportation, Washington, D.C.

The U.S.-Flag carrier share of total air travel increased slightly for the second consecutive year. This follows three straight years of falling U.S. share. (Exhibit 6.)

Exhibit 6

Air Passenger Travel Between the United States and Other Countries by Flag of Carrier, Calendar Years 1973-1977[1]

Year	Number of Passengers (000)			Percent
	U.S.-flag	Foreign-flag	Total	U.S.-flag
1973	14,621	12,038	26,659	54.8
1974	13,854	12,202	26,056	53.2
1975	12,941	12,887	25,828	50.1
1976	13,643	13,457	27,100	50.3
1977	14,376	14,129	28,505	50.4
Percent change 1977/1973	−1.7	17.4	6.9	.....

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The importance of Europe as the largest single U.S. market improved over the decline that set in during 1973. While traffic volume continued to grow in other markets, the European market improved its position in total market share to 42.4 percent. However, this is still below the 1973 level of 44.0 percent. (Exhibit 7.)

Exhibit 7

Air Passenger Travel Between the United States and Other Countries, Calendar Years 1973-1977[1]

Year	Number of passengers (000)			Percent
	Europe	Other	Total	Europe
1973	11,739	14,920	26,659	44.0
1974	10,324	15,732	26,056	39.6
1975	10,076	15,752	25,828	39.0
1976	11,134	15,966	27,100	41.1
1977	12,082	16,423	28,505	42.4
Percent change 1977/1973	2.9	10.1	6.9	.....

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The spread between U.S. citizen travel and the traffic U.S.-flag carriers participated in was a minus 7.6 percent in 1977. There is a more pronounced spread in the United States-Europe market where the spread reaches a minus 17.0. Excluding Europe the spread is only a minus 7 percent. (Exhibit 8.)

Exhibit 8

U.S.-Citizen Travel and U.S.-Flag Carrier Market Shares for Calendar Years 1973-1977[1]

Area and Year	Passengers (percent) U.S. Citizens	U.S.-flag	Spread
Between United States and rest of world:			
1973	61.2	54.8	−6.4
1974	58.8	53.2	−5.6
1975	56.6	50.1	−6.5
1976	57.0	50.3	−6.7
1977	58.0	50.4	−7.6
Between United States and Europe:			
1973	65.3	49.2	−16.1
1974	62.3	46.7	−15.6
1975	61.4	45.0	−16.4
1976	61.1	45.4	−15.7
1977	62.4	45.4	−17.0
Between United States and rest of world less Europe:			
1973	57.9	59.3	1.4
1974	56.5	57.4	.9
1975	53.6	53.4	− .2
1976	54.2	53.8	− .4
1977	54.8	54.1	− .7

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The first 6 months of 1978 continued to indicate an improved travel market with an increase of 13.6 percent in passenger volume. This is greater than the 5.2 percent increase of 1977 over 1976 for the year as a whole. (Exhibit 9.)

Exhibit 9

Air Passenger Travel Between the United States and Other Countries
First 6 Months, Calendar Years 1977-78[1]

Period	Number of passengers (000) 1977	1978	1978/1977 Percent Change
First 6 months	12,875	14,624	13.6

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The scheduled carrier share in total U.S. traffic declined in 1977 over 1976 by 1.0 percentage point to 84.4 percent. However, traffic was up for both scheduled and charter carriers. Scheduled carrier traffic was up to 24.0 million in 1977 or 4.6 percent above 1973 while charter traffic increased to 4.5 million, 39 percent above 1973. (Exhibit 10.)

Exhibit 10

Air Passenger Travel Between the United States and Other Countries by Type of Service, Calendar Years 1973-1977[1]

Year	Number of passengers (000)			Percent scheduled
	Scheduled	Chartered	Total	
1973	22,982	3,216	26,198	87.7
1974	22,580	3,059	25,639	88.1
1975	22,381	3,065	25,446	88.0
1976	23,145	3,955	27,100	85.4
1977	24,048	4,457	28,505	84.4
Percent change 1977/1973	4.6	38.6	8.8	.....

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

The percent of U.S. citizen traffic to overall traffic rose in 1977 after years of steady decline. So did U.S. carrier participation. (Exhibits 11 and 12.)

Exhibit 11

Scheduled Air Passenger Travel Between the United States and Other Countries, Calendar Years 1973-1977[1]

Year	Number of passengers (000)			Percent U.S. citizen
	Citizen	Alien	Total	
1973	13,644	9,338	22,982	59.4
1974	13,011	9,569	22,580	57.6
1975	12,404	9,977	22,381	55.4
1976	12,604	10,541	23,145	54.5
1977	13,201	10,847	24,048	54.9
Percent change 1977/1973	−3.2	16.2	4.6	.....

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

Exhibit 12

Scheduled Air Passenger Travel Between the United States and Other Countries, Calendar Years 1973-1977[1]

Year	Number of passengers (000)			Percent U.S.-flag
	U.S.-flag	Foreign-flag	Total	
1973	11,623	10,359	22,982	50.6
1974	11,089	11,491	22,580	49.1
1975	10,486	11,895	22,381	46.9
1976	10,865	12,280	23,145	46.9
1977	11,422	12,626	24,048	47.5
Percent change 1977/1973	−1.7	21.9	4.6	.....

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

Scheduled air traffic in the United States-Europe market showed an improvement over 1976 but was still half a million passengers below the 1973 level of 9.4 million. Other markets increased steadily over the past 5 years, compiling an 11.5 percent gain for the period. (Exhibit 13.) In scheduled air traffic U.S. citizens still predominate with 59.3 percent of the total United States-Europe market while U.S.-flag carriers carried only 40.2 percent, approximately the same as in 1976. (Exhibits 14 and 15.)

Exhibit 13

Scheduled Air Passenger Travel Between the United States and Other Countries, Calendar Years 1973-1977[1]

Year	Number of passengers (000)			Percent Europe
	Europe	Other	Total	
1973	9,355	13,627	22,982	40.7
1974	8,310	14,270	22,580	36.8
1975	8,034	14,347	22,381	35.9
1976	8,490	14,655	23,145	36.7
1977	8,850	15,198	24,048	36.8
Percent change 1977/1973	−5.4	11.5	4.6	.....

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

Exhibit 14

Scheduled Air Passenger Travel Between the United States and Europe, Calendar Years 1973-1977[1]

Year	Number of passengers (000)			Percent U.S. citizen
	Citizens	Aliens	Total	
1973	5,945	3,410	9,355	63.6
1974	5,067	3,243	8,310	61.0
1975	4,815	3,219	8,034	60.0
1976	5,004	3,486	8,490	58.9
1977	5,246	3,604	8,850	59.3
Percent change 1977/1973	−11.8	5.7	−5.4	.....

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

Exhibit 15

Scheduled Air Passenger Travel Between the United States and Europe,
Calendar Years 1973-1977[1]

Year	Number of passengers (000)			Percent
	U.S.-flag	Foreign-flag	Total	U.S.-flag
1973	3,912	5,443	9,355	41.8
1974	3,311	4,999	8,310	39.8
1975	3,050	4,984	8,034	38.0
1976	3,270	5,220	8,490	38.5
1977	3,559	5,291	8,850	40.2
Percent change 1977/1973	–9.0	–2.8	–5.4	.....

[1]See Exhibit 5, n. 1.

Source: Same as Exhibit 5.

Transatlantic charter passenger travel in 1977 increased by 31 percent over 1976. The United Kingdom, Germany, France, and Italy remained the four largest markets, but Switzerland replaced Spain for fifth place. For all markets, 6.1 million seats were moved on U.S. carrier charters, an increase of 23 percent over 1976. (Exhibit 16.)

Exhibit 16

Charter Traffic Between the United States and Foreign Countries by Number of Seats
(both directions)
Calendar Years 1976-1977[1]

	1976		1977		1977/1976 Percent Change
	Number	Percent	Number	Percent	
Transatlantic					
United Kingdom	782,528	15.9	1,097,209	18.1	40.2
Germany	620,544	12.6	788,006	13.0	27.0
France	248,063	5.0	304,545	5.0	22.8
Italy	183,099	3.7	278,016	4.6	51.8
Spain	171,597	3.5	207,635	3.4	21.0
Switzerland	170,470	3.5	254,943	4.2	49.6
Netherlands	141,424	2.9	168,796	2.8	19.4
Ireland	127,210	2.6	179,973	3.0	41.5
Belgium/Luxembourg	98,894	2.0	65,295	1.1	–34.0
Greece	93,791	1.9	102,610	1.7	9.4
Portugal	11,887	.2	66,711	1.1	461.2
Other Transatlantic	291,156	5.9	351,056	5.8	20.6
Total	2,940,663	59.7	3,864,795	63.8	31.4
World Total	4,921,812	100.0	6,060,690	100.0	23.1

Source: CAB forms 41 and 217.

Transatlantic charters continue to make up over half of all U.S. international charters and grew 31% in 1977. The Canadian market also showed a large increase, while the growth in the Latin American and Caribbean markets was smaller. However, transpacific charters declined by nearly two-thirds. (Exhibit 17.)

Exhibit 17[1]

U.S. International Passenger Charter Flights by Seats and Class of Carrier (both directions), Calendar Years 1976-1977

	1976		1977		1977/1976 percent
	Number	Percent	Number	Percent	Change
Transatlantic:					
U.S. route	1,001,946	3.1	888,468	23.0	-11.3
U.S. charter	930,590	31.6	1,398,249	36.2	50.3
Foreign route	575,642	19.6	1,048,131	27.1	82.7
Foreign charter	432,482	14.7	529,947	13.7	22.5
Total	2,940,663	100.0	3,864,795	100.0	31.4
Transpacific:					
U.S. route	25,262	8.9	12,497	11.7	-50.5
U.S. charter	87,307	30.8	43,760	40.9	-49.9
Foreign route	161,452	57.0	47,688	44.6	-70.5
Foreign charter	9,246	3.3	2,974	2.8	-67.8
Total	283,267	100.0	106,919	100.0	-62.3
Latin American and Caribbean:					
U.S. route	746,039	71.0	796,611	64.9	6.8
U.S. charter	219,081	20.9	330,049	26.9	50.7
Foreign route	83,837	8.0	98,834	8.1	17.9
Foreign charter	1,465	.1	1,188	.1	-18.9
Total	1,050,422	100.0	1,226,682	100.0	16.8
Canada:					
U.S. route	69,515	10.7	93,767	10.9	34.9
U.S. charter	13,709	2.1	5,692	.7	-58.5
Foreign route	237,867	36.7	346,905	40.2	45.8
Foreign charter	326,369	50.4	415,930	48.2	27.4
Total	647,460	100.0	862,294	100.0	33.2
Total:					
U.S. route	1,842,765	37.5	1,791,343	29.6	-2.8
U.S. charter	1,250,687	25.4	1,777,750	29.3	42.1
Foreign route	1,058,798	21.5	1,541,558	25.4	45.6
Foreign charter	769,562	15.6	950,039	15.7	23.5
Total	4,921,812	100.0	6,060,690	100.0	23.1

[1]Data do not include traffic to/from U.S. Pacific possessions.

Source: CAB forms 41 and 217.

Freight Traffic

The relationship of freight in revenue ton-miles to total revenue ton-miles has remained rather stable since 1973. In 1973 there were 2.3 billion revenue freight ton-miles out of a total revenue ton-miles of 7.2 billion or about 32 percent compared to 2.6 billion freight revenue ton-miles in 1977 out of 6.8 billion or about 36 percent. (Exhibit 18.) Freight produced $438 million in 1973 compared to $596 million in 1977. The relationship of freight revenues to total revenues also continued to remain stable through the years. Freight revenue in scheduled service was 89 percent of total freight revenue in 1977, up from 87 percent in 1973. (Exhibit 19.)

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Exhibit 18

U.S. Certificated Route Air Carriers—Revenue Ton-Miles in International/Territorial Operations, Calendar Years 1973-77

	Revenue ton-miles (millions)				Percent of total		
Year	Freight	Passengers	Mail Express	Total	Freight	Passengers	Mail Express
1973	2,307	4,390	524	7,221	32	61	7
1974	2,391	4,038	472	6,901	35	58	7
1975	2,304	3,732	427	6,463	36	58	6
1976	2,453	4,046	408	6,907	36	59	6
1977	2,620	4,284	409	7,313	36	59	5

Source: "Handbook of Airline Statistics", Supplements for 1973-76; "Air Carrier Traffic Statistics," December 1977.

Exhibit 19

U.S. Scheduled Air Carriers-Transport Revenues by Service and Traffic Class, International and Territorial Operations, 1973-77

	In thousands				
	1973	1974	1975	1976	1977
Scheduled services:					
Freight	$380,782	$488,397	$528,020	$564,003	$632,025
Express	242	301	148	254	632
Mail	108,912	117,688	121,868	111,542	111,967
Passenger	1,894,914	2,121,651	2,230,081	2,410,987	2,785,706
Excess baggage	15,231	20,965	25,476	27,259	20,797
Charter services:					
Freight	56,796	55,497	62,583	61,783	76,880
Passenger	216,917	230,832	239,072	253,830	261,451
Other transport revenues	6,638	21,243	23,404	28,936	40,283
Overall transport revenues	2,608,433	3,056,573	3,230,653	3,458,594	3,929,739

Source: "Handbook of Airline Statistics", Supplements for 1973-76; "Air Carrier Financial Statistics," December 1977.

The value of goods transported by air in total U.S. foreign trade remains at about 12 percent. As in the past, air transportation of goods continues to be favorable to the U.S. balance of payments. (Exhibit 20.)

Exhibit 20

U.S. Foreign Trade, Value of Goods Transported by Air Versus Total, 1973-77

	Millions of dollars				
	1973	1974	1975	1976	1977
Air trade:					
Exports	10,430	13,539	14,625	17,398	19,686
Imports	6,930	8,922	8,917	10,920	12,391
Balance	3,500	4,617	5,708	6,478	7,295
Total trade:					
Exports	71,314	97,143	106,157	114,802	117,963
Imports	69,121	100,972	96,940	120,677	147,022
Balance	2,193	−3,829	9,217	−5,785	−29,061

Note-Data include exports of foreign merchandise and Department of Defense export shipments (Special Category commodities).

Source: Bureau of Census, U.S. Department of Commerce, "Foreign Trade Reports."

The ratio of goods shipped by air as compared to vessel has been rather constant since 1973. The ratio of export to import value steadily increased throughout the period. (Exhibit 21.)

Exhibit 21

Foreign Trade-Air Share of Air and Vessel Trade, Value and Shipping Weight, Calendar Years 1973-77

	1973	1974	1975	1976	1977
Value:					
Exports:[1]					
Air (millions of dollars)	9,092	13,292	13,969	17,398	19,095
Air plus vessel (millions of dollars)	48,723	68,890	75,426	83,804	84,047
Air percentage	19	19	19	21	23
Imports:					
Air (millions of dollars)	6,930	8,922	8,917	10,920	12,391
Air plus vessel (millions of dollars)	49,532	76,078	63,513	94,886	113,538
Air percentage	14	12	14	12	11
Total:					
Air (millions of dollars)	16,022	22,214	22,886	28,318	31,486
Air plus vessel (millions of dollars)	98,255	144,977	138,939	178,690	197,585
Air percentage	16	15	16	16	16
Shipping weight:					
Exports:[1]					
Air (millions of pounds)	1,352	1,559	1,381	1,494	1,751
Air plus vessels (millions of pounds)	549,914	530,528	538,357	569,162	549,803
Air percentage	0.25	0.29	0.26	0.26	0.32
Imports:					
Air (millions of pounds)	1,002	1,058	1,062	1,212	1,299
Air plus vessel (millions of pounds)	876,219	894,848	855,271	1,076,342	1,214,632
Air percentage	0.11	0.12	0.12	0.11	0.11
Total:					
Air (millions of pounds)	2,354	2,617	2,443	2,706	3,050
Air plus vessels (millions of pounds)	1,426,134	1,425,376	1,393,628	1,648,210	1,764,435
Air percentage	0.17	0.18	0.18	0.16	0.17

[1]Excluded special category commodities.

Source: Bureau of Census, U.S. Department of Commerce, "Foreign Trade Reports."

Total freight transported by air in the 5 years under review increased from 2.4 billion pounds in 1973 to 3.1 billion in 1977, or 30 percent. (Exhibit 22.)

The United States-Europe market remains the leading overall freight market and accounted for 40 percent of total freight shipped. The United States-Asian market also remained the second leading market, representing about 25 percent in 1976. (Exhibit 23.)

U.S. carrier share of U.S. airborne trade continued to decline in 1976 in most of the major markets. The U.S. carrier share is now 33 percent for exports and 41 percent for imports, and 36 percent overall. (Exhibit 24.)

Exhibit 22

U.S. Foreign Air Trade, Year-by-Year Increase in Shipping Weight, 1973-1977

	1973	1974	1975	1976	1977
Exports:[1]					
Shipping weight (million of pounds)	1,352	1,559	1,381	1,493	1,751
Increase from previous year (millions of pounds).	...	207	−178	112	258
Percent increase	...	15	−11	8	17
Imports:					
Shipping weight (millions of pounds)	1,002	1,058	1,062	1,212	1,299
Increase from previous year (millions of pounds).	...	56	4	150	87
Percent increase	...	6	0	14	7
Total:					
Shipping weight (millions of pounds)	2,354	2,617	2,443	2,705	3,050
Increase from previous year (millions of pounds).	...	263	−174	262	345
Percent increase	...	11	−7	11	13

[1]Excludes special category commodities.

Source: Bureau of Census, U.S. Department of Commerce, "Foreign Trade Reports."

Exhibit 23

Distribution of United States-Foreign Air Trade by Continent, Calendar Year 1977

Continent	Shipping weight millions of pounds	Percent distribution
Europe	1,229	39.6
Asia	783	25.2
North America[1]	567	18.3
South America	400	12.9
Africa	60	1.9
Australia and Oceania	51	1.6
Unidentified	14	0.5
Total	3,106	100.0

[1]Includes Central America and the Caribbean.

Source: Bureau of Census, U.S. Department of Commerce, "Foreign Trade Reports."

Exhibit 24

U.S. Carrier Share of U.S. Foreign Air Trade, Based on Shipping Weight, Calendar Years 1973-77 (percent)

	1973	1974	1975	1976	1977
North America[1]	41.4	38.1	37.1	39.0	38.0
South America	36.2	33.1	34.2	33.6	31.7
Europe	36.3	38.2	36.4	33.9	31.6
Asia	46.8	43.0	44.5	43.4	44.1
Australia and Oceania	31.2	32.1	30.0	32.6	39.1
Africa	24.3	25.3	23.4	24.7	25.0
Total	39.1	37.7	37.9	37.3	36.1
Exports	35.4	34.9	33.8	33.9	32.8
Imports	44.2	41.9	43.6	41.5	40.6

[1]Includes Central America and the Caribbean.

Source: Reports of the Bureau of Census, U.S. Department of Commerce, "Foreign Trade Reports."

ACTIONS TAKEN UNDER FCPA

On January 3, 1975, the President of the United States signed the "International Air Transportation Fair Competitive Practices Act of 1974" for carriers engaged in foreign air commerce (FCPA). This new law was enacted to protect United States carriers from discriminatory and unfair competitive practices. Preparation of the annual report to the Congress on all actions which have been taken during the previous fiscal year under certain provisions of the Act and on the United States' continuing program to eliminate discrimination and unfair competitive practices, is the responsibility of the Civil Aeronautics Board.

This report, in addition to delineating the actions that were taken during 1978, assesses progress in eliminating discriminatory or unfair practices and demonstrates that the goals of the Fair Competitive Practices Act are fundamental elements of the United States procompetitive policy. The ultimate goal is to realize the objectives of the "United States Policy for the Conduct of International Air Transportation Negotiations" formalized by President Carter August 21, 1978, which places maximum reliance on competition. The President's policy, while emphasizing that free competition in international aviation is a laudable goal, recognizes that such competition is not fully attainable. Its major thrust is toward eliminating operational restrictions, maximizing entry into the international airline industry, and generally maximizing carriers' opportunities to compete. The objectives of the policy, therefore, fully incorporate and go beyond those enunciated in FCPA almost four years earlier.

The U.S. has made progress in reducing government regulation of international air transportation, but as economic regulations by governments decrease, incentives are created for the attainment of similar anticompetitive results through other methods. Thus, there arises a need for greater reliance on the FCPA, and alternative measures to protect U.S. carriers.

Discriminatory practices by foreign governments against U.S. carriers can generally be defined as actions which inhibit the U.S. carriers' ability to compete vis-a-vis the national flag carrier. Examples of discriminatory practices include charging U.S. carriers higher airport and related user charges than the foreign flag and other flag carriers; restrictions on self-handling of services for U.S. carriers; and inhibiting U.S. carriers' ability to remit revenues earned abroad. These restrictions are usually imposed on all foreign carriers and do not discriminate solely against U.S. flag carriers.

Background and Prior Policies

Legislation to aid U.S. flag carriers was considered by the Congress in 1974 when U.S. flag carriers were experiencing severe economic problems. While a substantial cause of carriers' problems was the sharp increase in fuel costs, the Congress concluded that the international aviation framework itself, and specifically discriminatory actions taken by foreign governments, were the root cause. The Congress noted that the poor economic situation could also be the result of U.S. Government policy. Other reasons cited in the legislative history included inadequate compensation for carriage of mail, under-utilization of U.S. carriers by the U.S. Government and citizens in travel to and from the United States and the ticketing practices of many travel agents.

FCPA was enacted both to establish a legislative framework to correct perceived problems and to make foreign governments aware of the U.S. Government's serious concern about discriminatory practices. FCPA provisions, in addition to those discussed specifically in this report, include: assurance that rates paid for transportation of mail are fair and reasonable; that government-financed transportation of passengers is by U.S. flag carriers; that travel to and from the United States on U.S. flag carriers be encouraged to the maximum extent feasible; and that ticket agents, cargo forwarders or others observe tariffs and not engage in rebating.

Bilateral negotiations in the post war period have generally balanced U.S. interests in more capacity and operating flexibility against foreign flag carriers' desire for more access to U.S. markets. In many instances the primary benefit being considered was flag carriers' interests, entry, and market share. The rights and interests of the travelling public were all too often considered secondarily in such discussions. The benefits of competition, such as lower prices and wider variety of service alternatives, were regarded as secondary and contradictory to achieving the largest United States presence in a market.

The renegotiated United States-United Kingdom bilateral air agreement (Bermuda 2 of July 23, 1977) is the last major episode in the history of the U.S. aviation policy of trading restrictions rather than expanding competitive opportunities.

Implicit in Bermuda 2 is extensive government regulation of U.S.-U.K. air services through limitations on multiple designation, frequencies, pricing, flexibility, and carrier operations generally. However, amendments to and interpretation of Bermuda 2 have produced some procompetitive results such as the availability of lower prices for U.S.-U.K. services. Nonetheless, the Bermuda 2 philosophy contrasts sharply with the current policy of maximizing benefits for travelers and shippers, reducing Government restrictions on international aviation, and relying on competitive market forces to the greatest extent possible.

Current International Aviation Policy Objectives

The U.S. policy signed by President Carter on August 21, 1978, specifies the following negotiating objectives to be achieved in the system of bilateral agreements that form the basic framework for the international air transport system:

- — Creation of new and greater opportunities that will encourage and permit use of new price and service options to meet the needs of different travelers and shippers.
- — Liberalization of charter rules and elimination of restrictions on charter operations.
- — Expansion of scheduled service through elimination of restrictions on capacity, frequency, and route and operating rights.
- — Elimination of discriminatory and unfair competitive practices faced by U.S. airlines in international transportation.
- — Flexibility to designate multiple airlines in international air markets.
- — Encouragement of maximum traveler and shipper access to international markets by authorizing more cities for non-stop or direct service, and by improving the integration of domestic and international airline services.
- — Flexibility to permit the development of competitive air cargo services.

The forcefulness of this policy stems not from any artificial pressures created by the United States Government but from the vitality of the marketplace. The United States in the past year has negotiated an unprecedented number of major new bilateral agreements that treat airlines as responsible enterprises, not as wards of the state.

In line with that policy, the U.S. signed liberal bilateral agreements with Belgium, the Netherlands, West Germany, Israel, Korea and Jamaica, which are a major step toward an international aviation system that relies on market forces rather than government regulation.

The passage of the Fair Competitive Practices Act has been helpful to U.S. negotiators in countering unfair or discriminatory practices of foreign governments. The United States has attempted to meet the problem in recent bilaterals by including provisions for fair and non-discriminatory treatment with respect to user charges, ground handling practices, and fair competitive practices generally. Some or all of these provisions have been included in each of the pro-competitive agreements recently negotiated, as well as in the Bermuda 2 Agreement with the United Kingdom. Provisions covering these subjects in bilaterals should blunt unilateral actions taken by foreign governments to place their carriers in a more favorable competitive position vis-a-vis United States carriers. Samples of the new language covering these new provisions follow:

KOREA

Ground Handling Provisions

"Each designated airline may perform its own ground handling in the territory of the other Party ('self-handling'), or at its option, select among competing agents for such services. These rights shall be subject only to physical constraints resulting from considerations of airport safety. Where such considerations preclude self-handling, ground services shall be available on an equal basis to all airlines; charges shall be based on the costs of services provided; and such services shall be comparable to the kind and quality of services if self-handling were possible."

Fair Competitive Practices

"Each Party shall take appropriate action within its jurisdiction to eliminate all forms of discrimination or unfair competitive practices affecting the airlines of either Party, including, but not limited to, restrictions upon the sale of air transportation; the payment for goods, services or transactions, or the repatriation of excess currencies by airlines."

THAILAND

Commercial Opportunities

"Each designated airline may perform its own ground handling in the territory of the other Party ('self-handling') or, at its option, select among competing, authorized agents and designated airlines of either Party engaged in regular air transportation, scheduled or charter, in the territory of the other Party, for such services. These rights shall be subject only to physical constraints resulting from considerations of airport safety. Where such considerations preclude self-handling, ground services shall be available on an equal basis to all airlines; charges shall be based on the costs of services provided; and such services shall be comparable to the kind and quality of services if self-handling were possible."

User Charges

"User charges imposed on the airlines of the other Party may reflect, but shall not exceed, an equitable portion of the full economic cost to the competent charging authorities of providing the airport, air navigation, and aviation security facilities and services. Facilities and services for which charges are made shall be provided on an efficient and economic basis. Reasonable notice shall be given prior to changes in user charges. Each Party shall

encourage consultations between the competent charging authorities in its territory and airlines using the services and facilities, and shall encourage the competent charging authorities and the airlines to exchange such information as may be necessary to permit an accurate review of the reasonableness of the charges."

Nonetheless, many U.S. aviation trading partners either chose to interpret and implement Bermuda-type agreements with restrictions, or unilaterally frustrate U.S. carriers' competitive opportunities. U.S. negotiating objectives also direct our negotiators to seek improvement in existing situations even though such efforts may sometimes fall far short of a Belgium-type agreement. Many countries currently fear that their carriers cannot compete effectively against U.S. carriers and continue to engage in protectionist activities. The full impact from inserting language to eliminate restrictive practices in bilateral agreements is yet to be demonstrated. Early indications are that insertion of these clauses can be quite effective in demonstrating the U.S. Government's commitment to elimination of unfair competitive practices.

One of Several Tools

The FCPA is one of several tools of the U.S. Government to counter anticompetitive, discriminatory, or otherwise unfair competitive activities of foreign aviation partners. Other tools are Part 213 of the Board's economic regulations, which can limit foreign carriers' frequencies, and Part 212, which can curb foreign charters; authority under Section 402 of the Federal Aviation Act to deny or place conditions on foreign air carrier permits; and the tariff suspension authority of Section 1002(j) of the Act; bilateral articles and negotiations and informal discussions. These tools provide a broad legislative and administrative framework for the United States Government to protect its carriers from discriminatory actions on the part of foreign governments.

Section 2(a) of the FCPA requires the Civil Aeronautics Board, Department of Transportation, Department of State, Department of Treasury and other governmental departments and agencies to review all discriminatory or unfair practices against United States carriers and to take all appropriate actions within their respective jurisdictions. Section 2(c) specifically requires the Civil Aeronautics Board to report annually on actions taken and on the continuing program to eliminate discriminatory or unfair competitive practices.

FCPA combats discriminatory or unfair practices via legislative authority to impose compensating charges on the carriers of nations engaging in discrimination against U.S. carriers. Section 3 describes the exact process involved in finding, and subsequently assessing, compensatory charges against the carriers of a government found to violate this

Act by collecting excessive or discriminatory charges for U.S. carrier use of foreign aviation facilities. Initially, the Secretary of Transportation must find that a foreign aviation authority's charge unreasonably exceeds a comparable charge in the United States or is otherwise discriminatory.

After informing the Secretary of State and the CAB, the Secretary of Transportation recommends that the United States negotiate with the foreign authority to eliminate the discriminatory charges. If, after a reasonable period, these charges cannot be eliminated, the Secretary of Transportation determines compensating charges to be imposed on the carrier(s) of concerned foreign governments and requests the Secretary of Treasury to collect the charges. Amounts collected are to be placed in an account to compensate U.S. carriers for excessive and discriminatory charges paid for use of foreign facilities.

Thus far, the Secretary of Transportation has made a number of determinations that specific foreign user charges were excessive or discriminatory. On only one occasion, however, has the Secretary of the Treasury been requested to collect compensatory charges and this request was withdrawn when the foreign authority ceased the discriminatory practice just before the compensatory charges were to begin.

Countries Involved in FCPA Actions

These actions taken during fiscal year 1978 are reported by the CAB under Section 2(c) of the FCPA. Section 2(c) provides:

> The Civil Aeronautics Board shall report annually to Congress on the actions that have been taken under subsection (a) and on the continuing program to eliminate discrimination and unfair competitive practices faced by United States carriers in foreign air transportation. The Secretaries of State, Treasury, and Transportation shall furnish to the Civil Aeronautics Board such information as may be necessary to prepare the report required by this subsection.

The report reflects information developed by the Departments of State and Transportation and the Civil Aeronautics Board.

Argentina

In the spring, Argentina's national carrier, Aerolineas Argentinas, continued to enjoy a ground handling monopoly at Buenos Aire's Ezeiza Airport. Department of Transportation Secretary Brock Adams was prepared to issue a finding under FCPA, but Braniff strongly urged him not to do so, because Braniff was negotiating with the Argentine carrier to sell its catering kitchen service. DOT agreed to stay temporarily its decision to implement formal action against Argentina.

AUSTRALIA

U.S. carriers for years have encountered a number of problems with Australia, including excessive and discriminatory airport user charges, different fee systems for scheduled vs. charter (supplemental) carriers, and dramatic Sydney air terminal rent increases. Bilateral relations with Australia also have been difficult and the United States has threatened Part 213 sanctions to obtain Australian compliance with the bilateral agreement. But in December 1978, the United States and Australia resolved some key bilateral issues and agreed to reduce air fares substantially by concluding a one-year country-of-origin pricing arrangement. This agreement, which also permitted Continental to begin South Pacific service, is important because it demonstrates some softening in Australia's restrictive aviation policy applicable to U.S. carriers.

Progress also was made under FCPA in bringing user charge systems into line and in ending discrimination between charges for scheduled vs. charter operations. Australia has not increased its charges since 1976 and announced no increase for 1979. Australia was one of four countries visited by a U.S. delegation in November-December, 1978, for the purpose of discussing competitive practices with government officials. The U.S. delegation was advised that Australian rationale for higher charges for operations of all charter airlines is the belief that different services are provided, i.e., the charters of scheduled airlines are generally turnaround charters while supplementals usually run a multi-stop charter program which lasts several days. The supplementals are charged one and one half times the turnaround rate assessed a scheduled carrier charter, but in return the supplementals are allowed an unlimited number of landings and takeoffs at Australian airports within a seven-day period, provided that the aircraft does not exit and re-enter Australia in that period. A scheduled carrier however, would be assessed additional charges for each additional landing and takeoff it made in Australia.

After consulting with U.S. all-charter carriers, U.S. negotiators requested the Australians to apply the same charges to all U.S. charter operations to Australia. The United States delegation was advised that a recent 15 percent increase in air navigation charges for domestic aviation would not apply to foreign scheduled or charter operations.

Australian policy on user charges for international aviation is now based on full cost recovery. It no longer is based on statutory increases keyed to the cost of domestic service thereby ending cross subsidization of domestic operations. Australia's user charges, while still high, no longer discriminate against U.S. or other foreign carriers.

The negotiation team was informed that the Australian Government was prepared to entertain any reasonable airline proposals for revising its airport and airway cost recovery methodology and practices. The only qualifications the Australian authorities placed on such proposals is that they both enable the Australian Government to recover fully its costs and represent a combined or unified position of all airline users.

BOLIVA

Early in 1978, the Bolivian airport authority, AASANA, announced large increases in landing fees and air navigation aids fees of the order of about 100 percent. The U.S. Embassy in Bolivia was instructed to make a strong representation to the Bolivian Government concerning these increases, and in particular to stress the U.S. view that such charges should be cost-related, preceded by consultation with the airline involved and should be phased in gradually if justified. At the same time an IATA Team visited La Paz to discuss these charges. The efforts of the IATA team and the U.S. Government were successful and charges were reduced to acceptable, cost related levels.

BRAZIL

In April 1977 the U.S. Embassy gave the Brazilian Government a note listing unfair competitive practices that were inhibiting U.S. carriers' ability to compete on an equitable basis with Varig, the Brazilian international air carrier. The United States received no substantive response to any of the matters raised during the fiscal year. Issues covered in the note included: (a) impediments to currency conversion and remittance; (b) cargo competitive disadvantages; and (c) prohibition of discounting promissory notes obtained by financing air travel. Late in 1978 the United States was informed of substantial increases in airway charges with no cost justification and it immediately protested this inequity to the Brazilian Government.

CANADA

The United Kingdom entered into an agreement to act as collection agent for Canadian navigational charges which have been disputed by United States carriers. The U.S. carriers initiated a lawsuit questioning the legality of the charges. The U.S. has received assurances from Canada and the United Kingdom that no action will be taken against the U.S. airlines until the Canadian lawsuit is resolved.

COLOMBIA

Fuel price discrimination against U.S. carriers has existed since July 1974. In January 1978, negotiations were successfully concluded with

an agreement signed (effective January 15, 1978) reducing the price of aviation fuel for Braniff Airlines from 55 cents to 45 cents per gallon. In addition, the Colombian authorities agreed to non-discriminatory treatment of other U.S. airlines. Negotiations with Colombia to extend and update the current agreement for another year in December were successful. An agreement to renew the fuel price agreement provides for new consumption levels for 1979 and retains the same price relationship between the United States and Colombian carriers.

GHANA

Pan American World Airways experienced difficulty in remitting local ticket sales proceeds to the United States. By mid-1978, the backlog of unremitted funds had grown to such a point that Pan Am contemplated suspending operations to Accra. At the same time, assistance was requested from the U.S. Government in attempting to secure Ghanian implementation of commitments previously made to allow remittance of current sales proceeds and remittance of 1976 and 1977 backlogs. Following U.S. Embassy efforts, the Ghanian Government authorized Pan American in the remainder of 1978 to remit almost $1.3 million of the accumulated backlog of unremitted funds. While a sizable balance remains to be remitted, the payments that have been made represent considerable progress, and the outlook for further improvement in 1979 is good. In this instance, Ghana's general balance of payments situation, rather than intended to discriminate against Pan American, appears to be the prime cause of this problem.

ITALY

Two negotiating sessions were held during fiscal year 1978 at the request of the Italian Government to resolve capacity issues. During these negotiations the U.S. delegation reiterated objections to Italy's continued prohibition against U.S. carriers' use of efficient wide-bodied, all-cargo aircraft and their denial of the use of Leonardo da Vinci airport to U.S. charter flights. Little real progress has been made on these problems.

JAPAN

In February 1978, Secretary Adams issued a FCPA finding that proposed landing fees and certain fuel charges at Japan's new Tokyo airport, Narita, would be excessive. These fees would have been the highest of this type in the world. However, due to U.S. intervention and intensive negotiations between Japan and the carriers serving Narita, Narita charges were reduced substantially.

KOREA

An *ad referendum* memorandum of understanding which amends the bilateral agreement between the United States and the Republic of Korea was signed September 22, 1978. The procompetitive new agreement includes liberalized ground handling and user charge provisions. Korea is completing a new cargo facility at Seoul's Kimpo Airport, but had refused to grant U.S. carriers the right to handle their own cargo, provided for as in the new agreement. The U.S. competitive practices delegation in November had formal discussions with Korea to elaborate the U.S. position with respect to ground handling. The United States decided to implement the agreement pending resolution of the dispute. Ultimately, a detailed exchange of notes spelled out satisfactorily the rights of our carriers to self handle. This was effected on March 22, 1979.

PERU

The 1975 air transportation understanding with Peru expired July 7, 1978. The United States tried to eliminate restrictions imposed by Peru on U.S. carriers' operations in consultations to renew the understanding. Longstanding problems have included excessive and discriminatory landing fees and fuel prices, and ground handling and currency remittances disputes. These efforts were not successful.

PHILIPPINES

In August 1974, the U.S. and the Philippines signed an Understanding governing capacity and routes between the two countries thereby ending a period of more than 20 years without an agreement. Negotiations were held in 1977 and 1978 aimed primarily at expanding services between the two countries. Among the issues discussed was the fuel tax paid by U.S. carriers in the Philippines. The Philippine carrier's U.S. operations are exempt from Federal taxes and on a reciprocal basis, the U.S. carriers should be granted the same exemption. Landing fees have increased substantially for international carriers and simultaneously decreased for domestic operations. It is unknown whether the new fees are cost-related or are being used to subsidize domestic transportation.

SINGAPORE

Singapore Air Lines applied for a foreign air carrier (402) permit from the CAB to begin service to the United States in 1979. The United States-Singapore 1977 Memorandum of Understanding contained a ground handling article which Singapore interpreted not to mean self-handling, but a requirement to use the Singapore Airport duopoly

handling system. The U.S. competitive practices delegation in December explained to Singapore our position that self-handling was a vital competitive need for our carrier. While this issue was not resolved during these talks, a subsequent agreement was reached which resolved the ground handling problem.

UNITED KINGDOM

During fiscal year 1978, U.S. objections to the inequity of British airports' peak period pricing system were unresolved. In October and November, negotiations were held with the United Kingdom to discuss Heathrow peak pricing, security charges and ground handling problems at Gatwick. No resolution was achieved during these discussions. DOT retained a consultant to prepare an analysis of Heathrow's peak pricing system. After review of the consultant's report, further negotiations will be held in late 1979.

Summary

U.S. carriers often if not always register complaints with the United States Government as a last resort. United States carriers would ordinarily first discuss their problems with the civil aviation authorities in another country and seek administrative remedies or legal recourse.

Historically, U.S. international carriers have not given restrictive practices their highest priority. The airlines' highest officials often are not kept abreast of problem areas. When the Board, or other government agencies, have requested detailed information supporting airline complaints, such data have not often been forthcoming. The absence of substantiating material in advance of government negotiations with other nations has been a serious problem.

In regard to many proven and alleged restrictive practices, American carriers often do not want the CAB to impose retaliatory sanctions; the airlines may prefer to incur relatively small cost, in order not to risk a more harmful sanction—altering or eliminating the carrier's service to that country. Nonetheless, the threat of retailiation can be effective in achieving resolution or avoidance of disputes. Therefore, the existence of Section 3 of FCPA, even though unwieldy as a retaliatory measure, may serve as a useful deterrent.

In a September 7, 1977 reply to Comptroller General Elmer B. Staats, commenting on an analytical report on the FCPA titled "The Critical Role of Government in International Air Transport" released on March 17, 1978, CAB Chairman Alfred E. Kahn offered his overall impressions:

> [t]he report is imprecise in its analysis of the issues, does not state a comprehensive rationale for the international aviation policy assumptions or the operating responsibilities on which it is based, fails to balance adequately or consider con-

sumer interests as opposed to carrier interests, and is overly simplistic and superficial in its appraisal of the international air transportation situation.

While this conclusion was directed to the GAO report on FCPA, it also summarizes the fundamental limitation of FCPA which is that the international air transportation system is restrictive, highly regulated, and inherently anticompetitive. Eliminating discriminatory or unfair competitive practices, while important, is only one part of the U.S. policy to assure its carriers an equal opportunity to compete and to assure good service at reasonable prices for travellers and shippers.

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TABLES

Table 1.—INDICATORS OF GROWTH IN TRAFFIC AND OPERATIONS OF

Item	1968	1969	1970	1971
A. Traffic in scheduled service of certificated route air carriers:				
1. Overall revenue ton-miles (000)	15,249,312	16,898,186	18,166,793	18,685,307
Percent change from base year	0	11	19	22
2. Cargo revenue ton-miles (freight and express) (000)	2,910,033	3,355,791	3,514,171	3,795,283
Percent change from base year	0	15	21	30
3. U.S. mail ton-miles (000)	1,257,051	1,334,535	1,470,176	1,313,376
Percent change from base year	0	6	17	4
4. Total revenue passenger-miles (000)	113,958,321	125,414,212	131,719,194	135,657,702
Percent change from base year	0	10	16	19
5. First-class revenue passenger-miles (000)	22,627,247	23,483,018	22,592,948	22,007,064
Percent change from base year	0	4	–	−3
6. Coach revenue passenger-miles (000)	91,331,074	101,931,074	109,144,245	113,650,634
Percent change from base year	0	12	20	24
B. Traffic in nonscheduled service of certificated route air carriers:				
7. Overall revenue ton-miles (000)	2,865,022	3,091,192	2,019,836	2,220,658
Percent change from base year	0	8	−30	−22
8. Passenger revenue ton-miles (000)	1,661,355	1,798,856	1,668,117	1,376,117
Percent change from base year	0	8	–	−17
9. Freight revenue ton-miles (000)	961,829	1,086,802	347,884	841,975
Percent change from base year	0	13	−64	−12
10. Revenue passenger-miles (000)	16,079,047	17,427,615	16,427,615	13,647,567
Percent change from base year	0	8	2	−15
C. Traffic of charter and large irregular carriers:				
11. Overall revenue ton-miles (000)[1]	1,335,103	1,584,740	1,419,859	1,558,601
Percent change from base year	0	19	6	17
12. Cargo revenue ton-miles (000)	446,453	469,651	391,441	501,237
Percent change from base year	0	5	−12	12
13. Revenue passenger-miles (000)	8,886,498	11,150,888	10,284,177	10,573,646
Percent change from base year	0	25	16	19
D. Scope of service offered by certificate route air carriers:				
14. Stations served (at September)[2]	[3]682	[3]682	638	662
Percent change from base year	0	0	−6	−3
15. Unduplicated route mileage operated (average over fourth quarter)	289,226	343,600	344,013	385,216
Percent change from base year	0	19	19	33

See footnotes at end of table.

THE AIR CARRIER INDUSTRY, CALENDAR YEARS 1968-1977

1972	1973	1974	1975	1976	1977
20,746,377	22,241,875	22,425,070	22,185,545	24,120,868	25,908,773
36	46	47	45	58	70
4,304,874	4,837,226	4,970,919	4,795,308	5,096,178	5,426,547
47	66	71	65	75	86
1,190,198	1,197,974	1,150,832	1,097,297	1,114,243	1,147,327
−5	−5	−8	−13	−11	−9
152,406,702	161,957,307	162,917,241	162,810,057	178,987,543	193,218,837
34	42	43	43	57	70
24,840,378	26,445,436	28,175,970	25,947,562	26,794,902	27,995,594
10	17	25	15	18	24
127,565,903	135,511,871	134,741,268	136,862,502	152,192,640	165,223,244
40	48	48	50	67	81
2,058,659	1,685,782	1,474,969	1,346,765	1,588,119	1,674,174
−28	−41	−49	−53	−45	−42
1,160,987	1,239,588	1,113,317	1,051,367	1,285,478	1,285,196
−30	−25	−33	−37	−23	−23
893,526	446,051	361,396	294,875	302,536	388,729
−7	−54	−62	−69	−69	−60
11,608,985	12,395,070	11,132,566	10,513,699	12,853,942	12,888,590
−28	−23	−30	−35	−20	−20
1,461,783	1,582,479	1,453,132	1,238,493	1,204,038	1,328,260
9	19	−9	−7	−10	−1
456,815	403,518	366,887	362,565	384,133	329,920
2	10	−18	−19	−14	−26
10,049,683	11,789,623	10,862,449	8,759,279	8,199,053	9,983,404
13	33	22	−1	−8	12
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

Table 1.—INDICATORS OF GROWTH IN TRAFFIC AND OPERATIONS OF

Item	1968	1969	1970	1971
16. Duplicated route mileage certificated (at September)	687,046	685,056	837,565	860,500
Percent change from base year	0	–	22	25
17. Aircraft departures in scheduled service	5,348,089	5,379,125	5,101,462	4,998,934
Percent change from base year	0	1	−5	−7
E. Provision for service by the certificated route air carriers:				
18. Total available seat-miles in scheduled service (000)	216,445,750	250,845,906	264,903,858	279,823,351
Percent changes from base year	0	16	22	29
19. Total assets (at December 31) (000)	10,996,112	12,021,464	12,910,758	12,997,813
Percent change from base year	0	9	17	18
20. Total capital invested (average over the year) (000)	6,744,406	7,523,291	8,068,952	N/A
Percent change from base year	0	12	20	N/A
21. Investment in flight equipment (at December 31) (000)[5]	6,475,386	6,918,329	7,462,630	7,310,967
Percent change from base year	0	7	15	13
22. Number of aircraft in service	2,406	2,610	2,564	2,534
Percent change from base year	0	8	7	5
23. Number of certificated route carriers	38	39	39	37
Percent change from base year	0	−3	−3	−3
24. Number of airline employees	294,192	305,492	299,875	291,809
Percent change from base year	0	4	2	−1
F. Financial and operational data of certificated route air carriers:				
25. Total operating revenues (including service mail pay and subsidy (000)	$7,761,773	$8,792,317	$9,289,618	$10,045,577
Percent change from base year	0	13	20	29
26. Net income (after taxes and special items) (000)	$209,952	$52,752	$−200,480	$28,006
27. Federal subsidy accruing (fiscal year data) (000)[9]	$50,278	$46,955	$39,180	$60,148
Percent change from base year	0	−7	−22	20
28. Federal subsidy accruing as percent of total operating revenues (September)[9]	0.8	0.5	0.4	0.6
Percent change from base year	0	−38	−50	−25
29. All income and other taxes paid (domestic) (000)[7]	$307,720	$296,111	$154,625	$251,362
Percent change from base year	0	−4	−50	−18
30. Airmail revenues of the Post Office Department (fiscal year data) (000)[6]	$586,676	$485,487	$485,700	$501,000
Percent change from base year	0	−17	−17	−15
31. Overall revenue ton-miles in scheduled service per airline employee	51,835	55,315	60,581	64,033
Percent change from base year	0	7	17	24

[1]Includes passenger-mile conversion on 200-pound-per-passenger basis.

[2]Figures do not include Alaska stations.

[3]Less than 0.5 percent.

[4]Average (arithmetic mean) of five quarterly balances of stockholder equity, long-term debt, and advances from associated companies representing investment. From 1964 excludes unamortized discount and expense on debt. 1966 to present excludes equipment-purchase deposits. Operating investment (1970) includes assets, as reported, which are recognized for ratemaking purposes adjusted (1) to exclude portions thereof provided by capital sources not recognized for ratemaking and (2) to conform depreciated flight equipment with regulatory depreciation bases. For more detailed statement of methods, see Press Release CAB 72-189. "Average investment" data heretofore presented have been

1972	1973	1974	1975	1976	1977
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
5,046,438	5,134,577	4,725,783	4,704,710	4,835,138	4,934,094
−6	−4	−12	−12	−10	−8
287,418,092	310,597,107	297,004,332	303,006,243	322,820,561	345,566,005
33	43	37	40	49	60
13,634,937	14,463,639	15,200,190	15,064,288	15,451,852	16,868,168
24	32	38	37	41	53
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
7,665,887	8,217,132	8,446,062	8,478,707	8,211,161	9,678,888
18	27	30	31	27	49
2,519	2,492	2,412	2,434	2,527	2,441
5	4	−	1	5	1
38	35	34	35	37	37
−	−8	−11	−8	−3	−3
301,593	311,819	307,437	292,515	303,425	312,468
3	6	5	−1	3	6
$11,163,271	$12,418,777	$14,702,563	$15,356,325	$17,505,629	$19,924,800
44	60	89	98	126	157
$214,850	$221,863	$321,641	$−84,418	$563,713	$708,169
$67,234	$64,572	$72,995	$72,826	$72,993	$71,401
34	28	45	45	45	42
0.6	0.5	0.5	0.4	0.4	0.3
−25	−38	−38	−50	−50	−63
$363,371	$468,206	$308,221	N/A	N/A	N/A
18	52	−	N/A	N/A	N/A
$558,200	$564,900	$627,900	$630,100	$727,025	$523,800
−5	−4	7	7	24	−11
68,789	71,329	72,942	75,844	79,494	82,917
33	38	41	46	53	60

discontinued to faciliate more timely release of this publication. Similar data for most certificated route air carriers are now presented in the Board's "Interim Financial Results" issued quarterly.

[5]After deduction of reserves for depreciation and airworthiness.

[6]Figures are estimates by the Local Service Division of CAB's Bureau of Economics for 1972 and prior years. Data for 1973 through latest year reflect actual payments received.

[7]Not including, of course, passenger excise taxes merely collected and forwarded by the carriers.

[8]Data from U.S. Post Office Department's Revenue and Cost Analysis publication. Includes priority mail.

[9]Data for 1975 and prior periods are at June; whereas more recent data are at September.

Table 2—CARGO RATINGS—SYSTEM TRUNKS, LOCAL SERVICE, AND SYSTEM ALL-CARGO CARRIERS (SCHEDULED SERVICE) YEARS ENDING SEPTEMBER 30, 1978 AND SEPTEMBER 20, 1977 (000)

Carrier	Cargo ton-mile[1]			
	September 1978	September 1977	Percentage Charge (%)	Market Share Sept. 1978 %
Pan American	1,050,452	895,266	17.3	25.6
United	641,689	589,428	8.9	15.6
American	636,506	558,544	14.0	15.5
Trans World	429,687	429,833	[2]	10.5
Northwest	324,213[3]	447,290	-27.5	7.9
Continental	258,319	223,559	15.5	6.3
Eastern	234,437	202,201	15.9	5.7
Delta[4]	213,513	202,283	5.6	5.2
Western	141,118	123,671	14.1	3.4
Braniff[4]	101,880	89,669	13.6	2.5
National	74,140	67,599	9.7	1.8
Total Trunks	4,105,954	3,829,343	7.2	100.0
Flying Tiger	1,104,944	789,845	39.9	69.3
Seaboard	354,893	319,285	11.2	22.3
Airlift	134,285	135,678	-1.0	8.4
Total All-Cargo	1,594,122	1,244,808	28.1	100.0
Allegheny	21,458	20,146	6.5	25.2
Frontier	14,292	12,952	10.3	16.8
Hughes	8,513	6,922	23.0	10.0
North Central	11,217	9,618	16.6	13.2
Ozark	8,657	7,603	13.9	10.2
Piedmont	7,030	6,583	6.8	8.3
Southern	7,527	6,754	11.4	8.8
Texas International	6,419	5,861	9.5	7.5
Total Local Service	85,113	76,439	11.3	100.0

[1]Includes freight and expenses

[2]Less than 0.05 percent

[3]Northwest was affected by a strike 4/29/78 through 8/15/78. Continental was on strike 10/23/76 through 12/12/76. Wien airlines (Alaskan Carrier) on strike beginning 5/7/77 through period of this report.

[4]Braniff inaugurated its Atlantic entity 3/18/78. Delta inaugurated its Atlantic entity 4/30/78.

Table 3—SCHEDULED CARGO REVENUE TON-MILES BY CLASS OF SERVICE AND CARRIER SHOWING SCHEDULED ALL-CARGO SERVICE REVENUE TON-MILES BY AIRCRAFT TYPE IN ABSOLUTE AMOUNTS AND AS A PERCENT DISTRIBUTION SELECTED CERTIFICATED ROUTE AIR CARRIERS[1]

12 Months Ended June 30, 1978[9]

Class of Service Aircraft Type and Category	Total All[1] Carriers	Total Domestic Operations	Domestic Operations Passenger/Cargo Carriers							All-Cargo Carriers		
			Total	American	Braniff	North-west[8]	Pan American	Trans World	United	Total	Airlift	Flying Tiger
Scheduled Cargo Revenue Ton-Miles by Class of Service (000)												
All-Cargo Service	3,311,527	1,577,414	924,055	364,808	26,995	66,276	56,720	119,424	289,832	653,359	96,013	557,346
Combination Passenger/Cargo Service[4]	2,255,832	1,377,472	1,377,472	278,087	72,794	219,041	68,339	225,483	513,728	–	–	–
Total Scheduled Service	5,567,359	2,954,886	2,301,527	642,895	99,789	285,317	125,059	344,907	803,560	653,359	96,013	557,346
Percent of Total Scheduled Service Cargo Revenue Ton-Miles												
All-Cargo Service	59.5	53.4	40.1	56.7	27.1	23.2	45.4	34.6	36.1	100.0	100.0	100.0
Combination Passenger/Cargo Service	40.5	46.6	59.9	43.3	72.9	76.8	54.6	65.4	63.9	–	–	–
Total Scheduled Service	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Revenue Ton-Miles in Scheduled All-Cargo Service by Aircraft Type (000)												
Turbofans:												
B-747/747F/747SP	1,872,700	470,365	325,525	203,339	–	66,276	55,910	–	–	144,840	–	144,840
B-707-200B/C	425,490	281,703	281,703	161,469	–	–	810	119,424	–	–	–	–
B-727-100/C/QC	28,053	27,524	26,976	–	26,976	–	–	–	–	548	548	–
DC-8-50/50F	335,971	308,705	289,832	–	–	–	–	–	289,832	18,873	18,873	–
DC-8-61/61F	54,415	54,360	–	–	–	–	–	–	–	54,360	–	54,360
DC-8-63F	542,459	384,260	–	–	–	–	–	–	–	384,260	26,114	358,146
DC-8-30F	52,420	50,478	–	–	–	–	–	–	–	50,478	50,478	–
Other[5]	19	19	19	–	19	–	–	–	–	–	–	–
Total Turbofans in Scheduled All-Cargo Service	3,311,527	1,577,414	924,055	364,808	26,995	66,276	56,720	119,424	289,832	653,359	96,013	557,346

Table 3—SCHEDULED CARGO REVENUE TON-MILES BY CLASS OF SERVICE AND CARRIER SHOWING SCHEDULED ALL-CARGO SERVICE REVENUE TON-MILES BY AIRCRAFT TYPE IN ABSOLUTE AMOUNTS AND AS A PERCENT DISTRIBUTION SELECTED CERFIFICATED ROUTE AIR CARRIERS[1]—Continued

12 Months Ended June 30, 1978[9]

Class of Service Aircraft Type and Category	Total All[1] Carriers	Total Domestic Operations	Domestic Operations Passenger/Cargo Carriers							All-Cargo Carriers		
			Total	American	Braniff	North-west[8]	Pan American	Trans World	United	Total	Airlift	Flying Tiger
Percent of Total Revenue Ton-Miles in Scheduled All-Cargo Service												
Turbofans:												
B-747/747F/747SP	56.6	29.8	35.2	55.7	–	100.0	98.6	–	–	22.2	–	26.0
B-707-300B/C	12.9	17.9	30.5	44.3	–	–	1.4	100.0	–	–	–	–
B-727-100/C/QC	0.8	1.7	2.9	–	99.9	–	–	–	–	0.1	0.6	–
DC-8-50/50F	10.1	19.6	31.4	–	–	–	–	–	100.0	2.9	19.6	–
DC-8-61/61F	1.6	3.4	–	–	–	–	–	–	–	8.3	–	9.7
DC-8-63F	16.4	24.4	–	–	–	–	–	–	–	58.8	27.2	64.3
DC-8-30F	1.6	3.2	–	–	–	–	–	–	–	7.7	52.6	–
Other[5]	[6]	[6]	[6]	–	0.1	–	–	–	–	–	–	–
Total Turbofans in Scheduled All-Cargo Service	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

For footnotes, see end of table.

Table 3—SCHEDULED CARGO REVENUE TON-MILES BY CLASS OF SERVICE AND CARRIER SHOWING SCHEDULED ALL-CARGO SERVICE REVENUE TON-MILES BY AIRCRAFT TYPE IN ABSOLUTE AMOUNTS AND AS A PERCENT DISTRIBUTION SELECTED CERTIFICATED ROUTE AIR CARRIERS[1]—Continued

12 Months Ended June 30, 1978[9]

Class of Service Aircraft Type and Category	Total Int'l/Ter. Operations	International/Territorial Operations Passenger/Cargo Carriers									All-Cargo Carriers			
		Total	American	Braniff	North-west[8]	Pan-American Total	Atlantic	Latin	Pacific	Trans World	Total	Airlift	Flying Tiger	Seaboard
Scheduled Cargo Revenue Ton-Miles by Class of Service (000)														
All-Cargo Service	1,734,113	789,757	67,385	529	112,458	564,629	269,483	142,600	152,546	44,756	944,356	41,647	515,680	387,029
Combination Passenger/Cargo[4]	878,360	878,360	40,566	36,656	105,855	506,390	221,169	91,365	193,856	188,893	–	–	–	–
Total Scheduled Service	2,612,473	1,668,117	107,951	37,185	218,313	1,071,019	490,652	233,965	346,402	233,649	944,356	41,647	515,680	387,029
Percent of Total Scheduled Service Cargo Revenue Ton-Miles														
All-Cargo Service	66.4	47.3	62.4	1.4	51.5	52.7	54.9	60.9	44.0	19.2	100.0	100.0	100.0	100.0
Combination Passenger/Cargo	33.6	52.7	37.6	98.6	48.5	47.3	45.1	39.1	56.0	80.8	–	–	–	–
Total Scheduled Service	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Revenue Ton-Miles in Scheduled All-Cargo Service by Aircraft Type (000)														
Turbofans:														
B-747/747F/747SP	1,402,335	645,441	13,680	–	112,458	519,303	255,713	111,921	151,669	–	756,894	–	390,539	366,355
B-707-300B/C	143,787	143,787	53,705	–	–	45,326	13,770	30,679	877	44,756	–	–	–	–
B-727-100/C/QC	529	529	–	529	–	–	–	–	–	–	–	–	–	–
DC-8-50/50F	27,266	–	–	–	–	–	–	–	–	–	27,266	27.104	–	162
DC-8-61/61F	55	–	–	–	–	–	–	–	–	–	55	–	–	55
DC-8-63F	158,199	–	–	–	–	–	–	–	–	–	158,199	12,601	125,141	20,457
DC-8-30F	1,942	–	–	–	–	–	–	–	–	–	1,942	1,942	–	–
Other[5]	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Turbofans in Scheduled All-Cargo Service	1,734,113	789,757	67,385	529	112,458	564,629	269,483	142,600	152,546	44,756	944,356	41,647	515,680	387,029

Table 3—SCHEDULED CARGO REVENUE TON-MILES BY CLASS OF SERVICE AND CARRIER SHOWING SCHEDULED ALL-CARGO SERVICE REVENUE TON-MILES BY AIRCRAFT TYPE IN ABSOLUTE AMOUNTS AND AS A PERCENT DISTRIBUTION SELECTED CERTIFICATED ROUTE AIR CARRIERS[1]—Continued

12 Months Ended June 30, 1978[9]

Class of Service Aircraft Type and Category	Total Int'l/Ter. Operations	International/Territorial Operations Passenger/Cargo Carriers									All-Cargo Carriers			
		Total	American	Braniff	Northwest[8]	Pan-American Total	Atlantic	Latin	Pacific	Trans World	Total	Airlift	Flying Tiger	Seaboard
Percent of Total Revenue Ton-Miles in Scheduled All-Cargo Service														
Turbofans:														
B-747/747F/747SP	80.9	81.7	20.3	–	100.0	92.0	94.9	78.5	99.4	–	80.1	–	75.7	94.7
B-707-300B/C	8.3	18.2	79.7	–	–	8.0	5.1	21.5	0.6	100.0	–	–	–	–
B-727-100/C/QC	[6]	0.1	–	100.0	–	–	–	–	–	–	–	–	–	–
DC-8-50/50F	1.6	–	–	–	–	–	–	–	–	–	2.9	65.1	–	[6]
DC-8-61/61F	[6]	–	–	–	–	–	–	–	–	–	[6]	–	–	[6]
DC-8-63D	9.1	–	–	–	–	–	–	–	–	–	16.8	30.2	24.3	5.3
DC-8-30F	0.1	–	–	–	–	–	–	–	–	–	0.2	4.7	–	–
Other[5]	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Turbofans in Scheduled All-Cargo Service	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

For footnotes, see end of table.

Table 3—INVESTED CAPITAL SCHEDULED ALL-CARGO SERVICE SELECTED CERTIFICATED ROUTE AIR CARRIERS[1]

As Of June 30, 1978

($,000)

Table 3—INVESTED CAPITAL SCHEDULED ALL-CARGO SERVICE SELECTED CERTIFICATED ROUTE AIR CARRIERS[1]
As Of June 30, 1978
($ 000)

Item	Total All[1] Carriers	Total Domestic Operations	Domestic Operations Passenger/Cargo Carriers							All-Cargo Carriers		
			Total	American	Braniff	North-west[8]	Pan American	Trans World	United	Total	Airlift	Flying Tiger
Working capital	73,637	34,993	19,864	10,930	41	1,495	649	(1,090)[3]	7,839	15,129	2,576	12,553
Fixed capital												
Flight equipment	593,092	248,515	172,639	80,975	5,082	43,496	14,111	12,699	16,276	75,876	1,929	73,947
Ground property and equipment	79,112	40,156	22,431	9,044	815	2,179	1,568	2,216	6,609	17,725	1,186	16,539
Total operating property and equipment (net)	672,204	288,671	195,070	90,019	5,897	45,675	15,679	14,915	22,885	93,601	3,115	90,486
Investments and special funds	9,386	3,781	2,226	692	1,080	–	390	64	–	1,555	1,555	–
Long-term prepayments	1,392	805	630	132	146	81	18	243	10	175	27	148
Developmental and preoperating costs	1,557	635	108	–	50	–	47	11	–	527	16	511
Unamortized discount and expense on debt	2,345	1,107	264	133	36	–	85	–	10	843	33	810
Other intangibles[7]	1,111	657	201	201	–	–	–	–	–	456	–	456
Total	761,642	330,649	218,363	102,107	7,250	47,251	16,868	14,143	30,744	112,286	7,332	104,964

Item	Total Int'l/Ter. Operations	International/Territorial Operations Passenger/Cargo Carriers								All-Cargo Carriers			
		Total	American	Braniff	North-west[8]	Pan American Total	Pan American Atlantic	Pan American Latin	Pan American Pacific	Trans World	Total	Airlift	Flying Tiger	Seaboard
Working capital	38,644	10,687	2,019	1	2,948	6,080	2,827	1,615	1,638	(361)[3]	27,957	1,229	11,487	15,241
Fixed capital (net):														
Flight equipment	344,577	207,971	14,955	2,625	63,230	123,167	56,411	29,616	37,140	3,994	136,606	175	71,818	64,613
Ground property and equipment	38,956	20,142	1,670	482	3,168	14,129	7,530	4,361	2,238	693	18,814	566	15,133	3,115
Total operating property and equipment (net)	383,533	228,113	16,625	3,107	66,398	137,296	63,941	33,977	39,378	4,687	155,420	741	86,951	67,728
Investment and special funds	5,615	3,870	128	19	–	3,703	1,827	1,014	862	20	1,745	742	–	1,003
Long-term prepayments	587	439	24	3	160	176	87	48	41	76	148	13	135	–
Developmental and preoperating costs	922	447	–	–	–	444	218	121	105	3	475	8	467	–
Unamortized discount and expense on debt	1,238	837	25	1	–	811	400	222	189	–	401	16	346	39
Other intangibles[7]	454	37	37	–	–	–	–	–	–	–	417	–	417	–
Total	430,993	244,430	18,858	2,131	69,506	148,510	69,300	36,997	42,213	4,425	186,563	2,749	99,803	84,011

For footnotes, see end of table.

Table 3—OPERATING REVENUES, EXPENSES, PROFITS (LOSSES) IN SCHEDULED ALL-CARGO SERVICE SELECTED CERTIFICATED ROUTE AIR CARRIERS[1]
12 Months Ended June 30, 1978[9]
($ 000)

Item	Total Int'l/Ter. Operations	International/Territorial Operations Passenger/Cargo Carriers									All-Cargo Carriers			
		Total	American	Braniff	North-west[8]	Pan American Total	Atlantic	Latin	Pacific	Trans World	Total	Airlift	Flying Tiger	Seaboard
OPERATING REVENUES														
Transport:														
U.S. mail-priority	16,634	7,863	293	2	783	6,700	5,640	14	1,046	85	8,771	–	5,289	3,482
U.S. mail-nonpriority	20,200	6,211	–	–	808	5,125	4,171	11	943	278	13,989	23	8,930	5,036
Foreign Mail	330	330	–	–	39	245	207	2	36	46	–	–	–	–
Express	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Freight	413,501	199,724	16,683	170	24,093	145,287	72,033	36,359	36,895	13,491	213,777	11,328	120,689	81,760
Miscellaneous	10,208	8,738	339	–	–	8,399	–	6,621	1,778	–	1,470	–	1,470	–
Total Transport Revenues	460,873	222,866	17,315	172	25,723	165,756	82,051	43,007	40,698	13,900	238,007	11,351	136,378	90,278
Incidental revenues (net)	4,983	4,627	(40)[2]	–	2,048[2]	2,403	1,719	190	494	216	356	344	12	–
Total Operating Revenues	465,856	227,493	17,275	172	27,771	168,159	83,770	43,197	41,192	14,116	238,363	11,695	136,390	90,278
OPERATING EXPENSES														
Flying operations	162,603	80,451	6,206	67	9,747	58,743	26,506	16,267	15,970	5,688	82,152	5,318	46,247	30,587
Maintenance	48,379	26,537	2,208	22	3,787	18,722	9,405	4,864	4,453	1,798	21,842	658	15,295	5,889
Aircraft servicing	50,563	26,993	851	48	4,673	20,385	10,759	4,301	5,325	1,036	23,570	282	13,515	9,773
Traffic servicing	81,656	40,962	5,035	42	3,102	29,781	14,954	9,773	5,054	3,002	40,694	1,412	16,912	22,370
Reservations and sales	31,947	13,784	346	23	1,810	10,303	5,976	2,458	1,869	1,302	18,163	–	8,831	9,332
Advertising and Publicity	2,878	1,210	134	3	114	687	402	153	132	272	1,668	136	1,201	331
General and administrative	23,642	9,680	803	13	353	7,782	4,008	2,390	1,384	729	13,962	574	7,068	6,320
Depreciation and amortization	34,020	22,807	1,027	11	5,147	15,453	7,117	4,506	3,830	1,169	11,213	172	6,729	4,312
Total operating expenses	435,688	222,424	16,610	229	28,773	161,856	79,127	44,712	38,017	14,996	213,264	8,552	115,798	88,914
Operating profit (loss) before income taxes	30,168	5,069	665	(57)	(962)	6,303	4,643	(1,515)	3,175	(880)	25,099	3,143	20,592	1,364
Income taxes for current period	8,041	(988)	–	(27)	(470)	–	–	–	–	(491)	9,029	1,508	7,207	314
Operating profit (loss) after income taxes	22,127	6,057	665	(30)	(492)	6,303	4,643	(1,515)	3,175	(389)	16,070	1,635	13,385	1,050
Total operating revenues per revenue ton-mile (¢)	26.86	28.81	25.64	32.51	24.69	29.78	31.09	30.29	27.00	31.54	25.24	28.08	26.45	23.33
Total operating expenses per revenue ton-mile (¢)	25.12	28.16	24.65	43.29	25.55	28.67	29.36	31.35	24.92	33.51	22.58	20.53	22.46	22.97
Load Factor (%)	62.8	56.6	71.2	87.4	41.9	59.2	63.8	58.2	53.4	57.4	69.2	60.6	66.5	74.2
Total operating expense per available ton-mile (¢)	15.78	15.94	17.55	37.85	10.70	16.98	18.72	18.26	13.30	19.23	15.62	12.44	14.94	17.05

For footnotes, see end of table.

Total operating expense per available ton-mile (¢)	62.8	56.6	71.2	87.4	41.9	59.2	63.8	58.2	53.4	57.4	69.2	60.6	66.5	74.2
	15.78	15.94	17.55	37.85	10.70	16.98	18.72	18.26	13.30	19.23	15.62	12.44	14.94	17.05

For footnotes, see end of table.

Table 3—OPERATING REVENUES, EXPENSES, PROFITS (LOSSES) IN SCHEDULED ALL-CARGO SERVICE SELECTED CERTIFICATED ROUTE AIR CARRIERS[1]—Continued

12 Months Ended June 30, 1978[9]

($ 000)

	Total All Carriers[1]	Total Domestic Operations	Domestic Operations Passenger/Cargo Carriers							All-Cargo Carriers		
			Total	American	Braniff	North-west[8]	Pan American	Trans World	United	Total	Airlift	Flying Tiger
OPERATING REVENUES												
Transport:												
U.S. mail-priority	30,167	13,533	12,575	1,937	2,446	623	270	2,369	4,930	958	–	958
U.S. mail-nonpriority	23,597	3,397	3,657	869	–	63	80	1,554	1,091	(260)	48	(308)
Foreign mail	331	1	1	–	–	–	1	–	–	–	–	–
Express	15,652	4,324	3,994	665	292	43	–	9	2,985	330	–	330
Freight	848,569	446,396	271,451	108,891	10,411	17,756	12,594	39,312	82,487	174,945	25,858	149,087
Miscellaneous	11,320	1,112	1,061	–	–	–	1,061	–	–	51	–	51
Total Transport Revenue	929,636	468,763	292,739	112,362	13,149	18,485	14,006	43,244	91,493	176,024	25,906	150,118
Incidental revenues (net)	5,920	937	1,247	(201)[2]	–	1,240[2]	4	550	(346)	(310)	782	(1,092)
Total Operating Revenues	935,556	469,700	293,986	112,161	13,149	19,725	14,010	43,794	91,147	175,714	26,688	149,026
OPERATING EXPENSES												
Flying operations	340,399	177,796	103,639	39,007	4,142	6,656	3,900	16,884	33,050	74,157	15,825	58,332
Maintenance	111,276	62,897	42,733	17,177	1,580	2,333	1,855	6,948	12,840	20,164	2,150	18,104
Aircraft servicing	79,625	29,062	19,700	7,030	1,097	1,152	2,624	2,550	5,247	9,362	1,116	8,246
Traffic servicing	171,399	89,743	55,523	21,923	1,469	778	5,072	9,928	16,353	34,220	6,085	28,135
Reservations and sales	44,903	12,956	8,737	2,371	471	488	1,159	1,742	2,506	4,219	–	4,219
Advertising and publicity	7,586	4,708	2,869	709	242	88	54	838	938	1,839	814	1,025
General and administrative	47,625	23,983	14,974	7,628	490	406	794	1,652	4,004	9,009	1,192	7,817
Depreciation and amortization	74,430	40,410	30,515	12,179	730	3,377	1,642	3,599	8,988	9,895	883	9,012
Total operating expenses	877,243	441,555	278,690	108,024	10,221	15,278	17,100	44,141	83,926	162,865	28,065	134,800
Operating profit or (loss) before income taxes	58,313	28,145	15,296	4,137	2,928	4,447	(3,090)	(347)	7,221	12,849	–(1,377)	14,226
Income taxes for current period	15,083	7,042	2,725	–	1,406	2,187	–	(386)	(482)	4,317	(662)	4,979
Operating profit or (loss) after income taxes	43,230	21,103	12,571	4,137	1,522	2,260	(3,090)	39	7,703	8,532	(715)	9,247

Table 3—OPERATING REVENUES, EXPENSES, PROFITS (LOSSES) IN SCHEDULED ALL-CARGO SERVICE SELECTED CERTIFICATED ROUTE AIR CARRIERS[1]—Continued

12 Months Ended June 30, 1978[9]

($ 000)

Class of Service Aircraft Type and Category	Total All[1] Carriers	Total Domestic Operations	Domestic Operations Passenger/Cargo Carriers						All-Cargo Carriers			
			Total	American	Braniff	North-west[8]	Pan American	Trans World	United	Total	Airlift	Flying Tiger
Total operating revenue per revenue ton-mile (¢)	28.25	29.78	31.81	30.75	48.71	29.76	24.70	36.67	31.45	26.89	27.80	26.74
Total operating expense per revenue ton-mile (¢)	26.49	27.99	30.16	29.61	37.87	23.05	30.15	36.96	28.96	24.93	29.23	24.19
Load Factor (%)	61.4	60.0	57.4	60.7	64.9	41.7	58.7	54.0	59.0	64.0	66.5	63.6
Total operating expense per available ton-mile (¢)	16.27	16.78	17.30	17.98	24.56	9.61	17.70	19.96	17.09	15.96	19.45	15.38

[1]Data generated in these tables were developed from the CAB Form 242, Report of Scheduled All-Cargo Service. Carriers not required to report are excluded. Their percentage of scheduled all-cargo services amounts to less than 0.2 percent of the total RTM's reported under the 242's.

[2]Amounts reported as transport-related revenues and transport-related expenses were netted in incidental revenues.

[3]

	TWA ($ 000)	
	Domestic	Atlantic
Working Capital (before adjustments)	(750)	(255)
Other deferred charges	126	40
Other deferred credits	(87)	(27)
Other noncurrent liabilities	(100)	(32)
Deferred Federal Income Tax	(279)	(87)
Net Working Capital	(1,090)	(361)

[4]This figure is computed by subtracting revenue cargo ton-miles of "total scheduled services" as submitted on CAB Form 41, Schedule T-1A (for those carriers with scheduled all-cargo service) from revenue ton-miles of "scheduled all-cargo services" as submitted on CAB Form 242, Schedule T.

[5]Aircraft types accounting for less than 1.0 percent of the total industry scheduled all-cargo revenue ton-miles are not separately identified.

[6]Less than .05 percent.

[7]Other intangibles include unamortized capital stock expense and property acquisition adjustment.

[8]Northwest was on strike April 29, 1978, through the end of the reporting period.

[9]Data reflected in this table are complied by the Financial Analysis and Cost Division biannually. Consequently, in order to facilitate more timely release of this publication, data presented herein are at June 30, 1978.

NOTE: Totals may not add due to rounding.

( ) denotes loss or inverse amount.

SOURCE: CAB Forms 242 and 41 reports.

Table 4.—AIR CARGO REVENUES AS A PERCENT OF TOTAL OPERATING REVENUES FOR THE YEAR ENDED SEPTEMBER 30, 1978

Carrier groups	Operating revenues (000)	Cargo[1] revenues (000)	% Cargo of total operating revenues
Domestic trunks	14,985,265	941,250	6.3
American	2,369,863	189,978	8.0
Braniff	696,985	34,652	5.0
Continental	719,030	58,072	8.1
Delta	2,115,907	113,490	5.4
Eastern	1,967,325	67,963	3.5
National	551,636	22,906	4.2
Northwest	609,280	52,715	8.7
Pan Am	165,464	32,925	19.9
Trans World	1,634,233	94,342	5.8
United	3,392,740	233,590	6.9
Western	762,802	40,615	5.3
International Trunks	4,182,412	445,351	10.6
American	308,143	29,257	9.5
Braniff[2]	225,803	12,714	5.6
Continental	22,286	1,135	5.1
Delta[2]	59,550	3,083	5.2
Eastern	343,519	21,802	6.3
National	68,324	5,174	7.6
Northwest	226,946	33,230	14.6
Pan Am	2,044,348	278,535	13.6
Trans World	838,492	58,156	6.9
Western	45,002	2,266	5.0
All-cargo (system)	580,265	426,509	73.5
Airlift	79,450	37,923	47.7
Flying Tiger	375,207	304,885	81.3
Seaboard	125,607	83,701	66.6
Local service	2,205,559	101,204	4.6
Allegheny	564,747	27,535	4.9
Frontier	276,452	12,725	4.6
Hughes	294,287	8,871	3.0
North Central	283,743	17,192	6.1
Ozark	222,966	11,428	5.1
Piedmont	201,881	8,786	4.4
Southern	183,596	7,944	4.3
Texas International	177,887	6,722	3.8

[1]Includes freight and express.
[2]Braniff inaugurated its Atlantic entity 3/18/78.
Delta inaugurated its Atlantic entity 4/30/78.

Table 5.—FINANCIAL DATA FOR DOMESTIC TRUNKS FOR THE YEARS ENDED SEPTEMBER 30, 1978 AND SEPTEMBER 30, 1977

(ALL SERVICES) (000)

Carriers	Total operating revenues		Percentage	Total operating expenses		Percentage	Operating profit[1]		Final net income[2]		Percentage	Corporate rates of return, investment tax excluded[3]	
	September 1978	September 1977	Change (%)	September 1978	September 1977	Change (%)	September 1978	September 1977	September 1978	September 1977	Change (%)	September 1978	September 1977
United	3,392,740	2,881,314	17.7	3,124,414	2,801,317	11.5	268,326	79,997	295,717	80,224	268.6	20.41	10.28
American	2,369,863	2,028,389	16.8	2,278,520	1,962,173	16.1	91,343	66,216	104,835	77,637	35.0	11.12	9.48
Delta	2,115,907	1,757,064	20.4	1,894,246	1,612,320	17.5	221,661	144,744	132,809	99,469	33.5	17.28	13.80
Eastern	1,967,325	1,656,436	18.8	1,894,123	1,619,602	16.9	73,203	36,834	60,667	−9,063	[4]	11.39	3.13
Trans World	1,634,233	1,505,149	8.6	1,607,110	1,541,908	4.2	27,123	−36,759	22,559	−50,305	[4]	7.50	1.84
Northwest	609,280	750,271	−18.8	542,643	665,248	−18.4	66,637	85,023	57,182	66,053	−13.4	10.22	12.47
Continental	719,030	579,716	24.0	668,206	543,263	23.0	50,824	36,453	54,362	18,947	186.9	16.72	8.83
Western	762,802	635,690	20.0	707,305	608,744	16.2	55,497	26,946	62,882	15,470	306.5	24.68	10.47
Braniff	696,985	586,958	18.7	645,982	530,680	21.7	51,002	56,278	22,970	30,915	−25.7	11.51	14.33
National	551,636	479,607	15.0	531,754	479,334	10.9	19,882	273	12,686	−401	[4]	7.39	2.35
Pan American	165,464	137,397	20.4	186,392	143,408	30.0	−20,928	−6,011	−10,009	3,557	[4]	0.20	9.45
Total	14,985,265	12,997,991	15.3	14,080,694	12,507,997	12.6	904,571	489,994	816,658	332,503	145.6	13.88	8.68

[1]Before Income taxes.

[2]After income taxes and extraordinary items.

[3]Final net income after taxes and extraordinary items plus interest expense excluding capitalized interest as a percent of total investment (long-term debt plus stockholder equity)

[4]Net computed due to negative or negligible comparative data.

NOTES.—Totals may or may not add due to rounding. Strike notices are located at end of table 2.

Sources: "Air Carrier Financial Statistics" and CAB Forms 41.

Sources: "Air Carrier Financial Statistics" and CAB Forms 41.

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Table 6.—TRAFFIC STATISTICS FOR DOMESTIC TRUNKS FOR THE YEARS ENDING SEPTEMBER 30, 1978 AND SEPTEMBER 30, 1977 (SCHEDULED SERVICE)

(000)

	Revenue passenger-miles				Passenger enplanements				Load factors (percent)	
Carrier	September 1978	September 1977	Percentage Change (%)	September 1978 Market Share (%)	September 1978	September 1977	Percentage Change %	September 1978 Market Share %	September 1978	September 1977
United	37,332,294	31,227,081	19.6	23.5	39,127	33,985	15.1	20.5	63.4	60.0
American	24,608,645	20,848,965	18.0	15.5	24,820	21,550	15.2	13.0	62.9	57.4
Delta	21,537,320	18,051,451	19.3	13.5	34,376	29,190	17.8	18.0	61.1	56.1
Eastern	19,975,689	16,237,589	23.0	12.6	32,136	27,034	18.9	16.9	62.7	54.6
Trans World	17,426,294	15,842,516	10.0	11.0	16,803	15,356	9.4	8.8	60.8	55.9
Northwest	5,343,206	8,057,707	−33.7	3.4	6,371	9,114	−30.1	3.3	47.3	46.8
Western	9,098,295	7,711,509	18.0	5.7	10,290	8,875	15.9	5.4	63.3	56.6
Continental	8,187,049	6,308,614	29.8	5.1	9,031	7,172	25.9	4.7	59.6	55.4
Braniff	6,786,066	5,830,926	16.4	4.3	9,905	8,765	13.0	5.2	51.8	51.4
National	6,619,900	5,436,177	21.8	4.2	6,643	6,043	9.9	3.5	55.1	45.6
Pan American	2,149,587	1,935,327	11.1	1.4	1,139	822	38.6	0.6	56.9	54.9
Total	159,064,345	137,487,862	15.7	100.0	190,641	167,906	13.5	100.0	60.7	55.5

Source: "Air Carrier Traffic Statistics."

Table 7.—FINANCIAL STATISTICS FOR SYSTEM ALL-CARGO CARRIERS FOR THE YEARS ENDED SEPTEMBER 30, 1978 AND SEPTEMBER 30, 1977

(000)

Carriers	Operating Revenues			Operating Expenses			Operating Profit[1]			Net Income (Final)[3]		
	September 1978	September 1977	Percentage Change %	September 1978	September 1977	Percentage Change%	September 1978	September 1977	Percentage Change %	September 1978	September 1977	Percentage Change %
Flying Tiger	375,207	270,788	38.6	333,263	255,211	30.6	41,944	15,577	169.3	23,474	25,513	−8.0
Seaboard	125,607	106,005	18.5	119,623	105,525	13.4	5,983	480	[2]	17,052	8,123	109.9
Airlifts	79,450	56,699	40.1	73,903	52,818	39.9	5,548	3,882	42.9	6,428	4,418	45.5
Total	580,265	433,492	33.9	526,789	413,554	27.4	53,476	19,939	168.2	46,953	38,054	23.4

[1]Before taxes and extraordinary items.
[2]Greater than 999.9 percent.
[3]After taxes and extraordinary items.
Source: "Air Carrier Financial Statistics."
NOTE: Totals may or may not add due to rounding.

Table 8.—TRAFFIC STATISTICS FOR LOCAL SERVICE CARRIERS FOR THE YEARS ENDED SEPTEMBER 30, 1978 AND SEPTEMBER 30, 1977

(SCHEDULED SERVICES) (000)

Carriers	Revenue Passenger-miles			Passengers explaned			Local factors	
	September 1978	September 1977	Market Share %	September 1978	September 1977	Market Share %	September 1978	September 1977
Allegheny	3,957,272	3,579,311	25.1	12,555	11,437	26.6	59.8	54.9
Frontier	2,258,973	1,824,353	14.3	5,317	4,608	11.3	63.5	57.3
Hughes	2,411,885	1,917,441	15.3	6,096	4,886	12.9	59.1	53.1
Piedmont	1,377,078	1,228,563	8.7	4,447	4,067	9.4	54.1	51.5
North Central	1,595,329	1,232,083	10.1	6,412	5,298	13.6	55.5	47.5
Ozark	1,416,878	1,185,276	9.0	4,457	3,967	9.5	54.5	50.9
Southern	1,266,700	1,014,912	8.0	3,976	3,357	8.4	54.6	50.3
Texas International	1,484,308	1,090,803	9.4	3,881	3,039	8.2	59.9	56.9
Total	15,768,423	13,072,742	100.0	47,141	40,659	100.0	58.3	53.2

NOTE: Totals may or may not add due to rounding.
Source: "Air Carrier Traffic Statistics."

Table 9.—FINANCIAL DATA FOR INTERNATIONAL TRUNKS FOR THE YEARS ENDED SEPTEMBER 30, 1978 AND SEPTEMBER 30, 1977

(ALL SERVICES) (000)

Carriers	Total operating revenues			Total operating expenses			Operating profit[1]		Final net income[2]			Corporate rates of return, investment tax credits included[3]	
	September 1978	September 1977	Percentage Change %	September 1978	September 1977	Percentage Change %	September 1978	September 1977	September 1978	September 1977	Percentage Change%	September 1978	September 1977
Air Micronesia									5	7	−28.6	[2]	[2]
American	308,143	259,874	18.6	291,794	245,388	18.9	16,349	14,486	13,027	14,229	−8.4	12.77	12.81
Braniff[4]	225,803	162,060	39.3	196,742	154,210	27.6	29,061	7,850	20,282	4,956	309.2	19.67	6.82
Continental	22,286	12,952	72.1	22,641	13,115	72.6	−356	−163	187	−393	[2]	2.61	−1.44
Delta[4]	59,550	38,742	53.7	52,474	34,796	50.8	7,076	3,946	3,962	2,106	88.1	18.41	13.65
Eastern	343,519	305,564	12.4	327,129	304,323	7.5	19,262	1,242	12,765	−8,116	[2]	13.97	0.27
National	68,324	41,787	63.5	58,939	31,609	86.5	9,385	10,178	4,534	4,925	−7.9	19.95	23.95
Northwest	226,946	269,410	−15.8	214,278	253,452	15.5	12,668	15,958	15,397	14,999	2.7	7.37	8.03
Pan American	2,044,348	1,768,909	15.6	1,858,929	1,690,170	10.0	185,419	78,739	117,229	59,223	97.9	16.89	11.06
Atlantic	1,009,964	924,833	9.2	983,357	898,740	9.4	26,607	26,093	−7,931	16,903	[2]	6.80	8.25
Latin	394,123	337,053	16.9	351,331	330,471	6.3	42,792	6,582	27,616	2,922	845.1	19.06	6.74
Pacific	640,261	507,023	26.3	524,241	460,959	13.7	116,020	46,064	97,544	39,398	147.6	34.37	19.61
Trans World	838,492	735,144	14.1	786,018	664,222	18.3	52,473	70,922	83,900	101,602	−17.4	21.44	23.91
Western	45,002	36,187	24.4	47,774	38,100	25.4	−2,772	−1,913	−2,169	−976	[2]	−6.48	−2.28
Total	4,182,412	3,630,629	15.2	3,856,719	3,429,384	12.5	328,565	201,245	269,120	192,561	39.8	16.18	12.08

[1]Before income taxes and extraordinary items.

[2]Not computed due to negative or negligible Comparative data.

[3]Final net income plus interest expense excluding capitalized interest as a percent of total investment (long-term debt plus stockholder equity).

[4]Braniff and Delta inaugurated Atlantic entities on 3/18/78 and 4/30/78 respectively.

NOTES: Totals may or may not add due to rounding.

Sources: "Air Carrier Financial Statistics" and CAB Forms 41.

Table 10.—TRAFFIC STATISTICS FOR INTERNATIONAL TRUNKS FOR THE YEARS ENDED SEPTEMBER 30, 1978 AND SEPTEMBER 30, 1977 (SCHEDULED SERVICES) (000)

Carriers	Revenue Passengers-miles				Passengers enplaned				Load factors	
	September 1978	September 1977	Percentage Change %	Market Share %	September 1978	September 1977	Percentage Change %	Market Share %	September 1978	September 1977
Pan American	18,263,973	14,992,346	21.8	43.4	7,336	6,651	10.3	36.7	61.2	53.1
Atlantic	8,620,053	7,237,557	19.1	20.5	4,052	3,893	4.1	20.3	62.1	55.8
Latin	2,940,678	2,524,886	16.5	7.0	1,660	1,463	13.5	8.3	60.2	54.4
Pacific	6,703,242	5,229,903	28.2	15.9	1,624	1,295	25.4	8.1	60.6	49.1
Trans World	9,055,832	7,498,245	20.8	21.5	2,580	2,140	20.6	12.9	67.9	58.7
Eastern	4,284,840	3,787,795	13.1	10.2	4,325	3,659	18.2	21.6	68.0	56.6
Northwest	2,066,347	2,804,941	−26.3	4.9	688	999	−31.1	3.4	54.1	50.7
American	3,598,890	3,144,532	14.4	8.6	2,557	2,198	16.3	12.8	68.1	62.7
Braniff[1]	2,202,003	1,468,226	50.0	5.2	1,155	875	32.0	5.8	58.4	50.6
Western	656,475	530,478	23.8	1.6	427	339	26.0	2.1	66.4	57.3
Delta[1]	767,296	459,981	66.8	1.8	491	392	25.3	2.5	65.5	58.3
National	985,647	600,508	64.1	2.3	219	135	62.2	1.1	60.2	61.1
Continental	179,450	95,451	88.0	0.4	210	176	19.3	1.1	59.0	56.8
Total	42,060,753	35,382,503	18.9	100.0	19,988	17,564	13.8	100.0	63.3	55.3

[1]Braniff and Delta inaugurated Atlantic entities on 3/18/78 and 4/30/78 respectively.
Note: Strike notices are located at end of table 2.
Source: "Air Carrier Traffic Statistics."

Table 11.—FINANCIAL DATA FOR LOCAL SERVICE CARRIERS FOR YEARS ENDING SEPTEMBER 30, 1978 AND SEPTEMBER 30, 1977 (All Services) (000)

Carriers	Operating revenues			Operating expenses			Operating profit[1]		Net income (final)[2]			Corporate rates of return, Investment tax credits excluded[3]	
	September 1978	September 1977	Percentage Change (%)	September 1978	September 1977	Percentage Change (%)	September 1978	September 1977	September 1978	September 1977	Percentage Change (%)	1978	1977
Allegheny	564,747	471,269	19.8	519,346	458,313	13.3	45,401	12,956	38,374	9,101	321.6	21.54	9.48
Hughes	294,287	246,029	19.6	275,195	234,070	17.6	19,091	11,958	11,128	7,505	48.3	9.68	7.51
Frontier	276,452	227,686	21.4	256,296	203,048	26.2	20,156	24,638	15,969	13,203	20.9	15.87	16.48
North Central	283,743	216,466	31.1	251,416	200,896	25.1	32,327	15,571	21,618	12,135	78.1	17.72	13.01
Ozark	222,966	184,885	20.6	201,460	172,756	16.6	21,506	12,130	10,196	6,334	61.0	15.28	12.87
Piedmont	201,881	174,068	16.0	192,815	162,394	18.7	9,066	11,674	5,946	8,099	−26.6	9.19	13.68
Southern	183,596	152,100	20.7	176,137	148,920	18.3	7,459	3,180	2,680	4,761	−43.7	11.69	14.29
Texas International	177,887	139,238	27.8	160,621	130,544	23.0	17,266	8,695	14,979	6,566	128.1	25.08	22.03
Total	2,205,559	1,811,741	21.7	2,033,287	1,710,941	18.8	172,272	100,802	120,890	67,704	78.6	15.79	12.04

[1]Before income taxes and extraordinary items.
[2]After income taxes and extraordinary items.
[3]Final net income plus interest expenses excluding capitalized interest as a percent of total investment (long-term debt plus stockholder equity).
Notes: Totals may or may not add due to rounding. Strike notices are located at end of table 2.
Source: "Air Carrier Financial Statistics."

TABLE 12.—FINANCIAL DATA FOR CHARTER AIR CARRIERS (NON-SCHEDULED SERVICES) FOR YEARS ENDING SEPTEMBER 30, 1978 AND SEPTEMBER 30, 1977

(000)

Carrier	Operating revenues			Operating expenses			Operating profit[3]			Total assets		Net worth	
	September 1978	September 1977	Percentage Change (%)	September 1978	September 1977	Percentage Change (%)	September 1978	September 1977	Percentage Change (%)	1978	1977	1978	1977
Zantop[1]	10,547	.....	.....	12,280	.....	.....	−1,732	.....	.....	30,194	.....	6,548	.....
Capitol	85,903	74,857	14.8	89,908	71,966	24.9	−4,005	2,892	(2)	30,318	32,021	12,341	14,336
Evergreen	39,696	25,480	55.8	37,998	25,254	50.5	1,697	227	647.6	34,472	8,036	4,161	2,768
McCulloch[1]	.....	4,988	.....	.....	6,497	.....	.....	−1,510	.....	1,067	950	−3,063	−2,795
Modern[1]	.....	.....	.....	.....	−3	.....	.....	−3	.....	.....	183	.....	−16
Overseas National	51,370	81,828	−37.2	55,463	84,428	−34.3	−4,094	−2,601	(2)	37,491	119,166	21,185	19,670
Saturn[1]	.....	10,621	.....	.....	8,544	.....	.....	2,077	.....	.....	.....	.....	.....
Rich International	2,993	596	402.2	2,641	502	426.1	352	95	270.5	681	368	332	212
World	121,976	94,242	29.4	125,672	94,445	33.1	−3,696	−203	(2)	388,366	161,111	112,624	110,960
Trans International	224,601	199,545	12.6	200,129	180,076	11.1	24,473	19,469	25.7	185,768	157,049	83,772	75,423
Total	537,086	492,157	9.1	524,091	471,709	11.1	12,995	20,445	−36.4	708,357	478,884	237,900	220,558

[1]Carrier inoperative during corresponding period.
[2]Computation not computed due to negative or negligible comparative data.
[3]Before income taxes and extraordinary items.
[4]Final net income plus interest expense excluding capitalized interest as a percent of total investment (long-term debt plus stockholder equity)
Notes: Totals may or may not add due to rounding. Strike notices are located at end of table 2.
Source: "Air Carrier Financial Statistics."

Table 13.—PASSENGER-FARES, FREIGHT-RATE, AND U.S. MAIL YIELDS FOR SCHEDULED SERVICE, YEAR ENDED SEPTEMBER 30, 1978[1]

[Average yield per passenger-mile by carrier group (cents)]

Year	Domestic trunk operations	Local service[2 3]	Intra-Alaska carriers	Intra-Hawaii carriers	International and territorial[4]
1972	6.16	8.87	11.82	11.26	5.02
1973	6.25	9.02	8.33	11.15	5.09
1974	6.73	9.58	9.55	11.80	5.71
1975	7.44	10.52	10.30	12.67	6.96
1976[1]	7.44	11.59	10.66	13.58	7.09
1977	8.16	11.81	11.05	14.30	7.56
1978	8.14	11.99	10.74	15.61	7.50

[Passenger-fare yields by type of fare (in cents per passenger-mile)]

Year	Domestic trunks		International trunks	
	First-class	Coach	First-class	Coach
1972	8.30	5.87	8.31	4.71
1973	8.47	5.95	8.71	4.75
1974	9.00	6.43	9.71	5.36
1975	9.85	7.15	11.65	6.56
1976[1]	10.49	7.16	12.14	6.69
1977	11.96	7.83	13.38	7.12
1978	12.06	7.84	13.62	7.06

[Average freight yield per ton-mile for all commodities by carrier group (cents)][5]

Year	Domestic trunk operations	Domestic all-cargo carriers	Local service carriers[2 3]	Intra-Alaska carriers	Intra-Hawaii carriers	International trunk operations[6]
1972	22.67	16.39	55.28	57.63	62.54	19.40
1973	23.14	16.31	57.90	43.12	58.62	19.73
1974	24.52	17.57	62.97	50.23	61.01	21.33
1975	27.30	19.32	80.04	56.34	81.46	25.18
1976[1]	28.78	21.95	95.70	66.57	85.08	25.63
1977	33.31	25.20	108.27	73.30	96.68	28.21
1978	26.70	28.16	112.10	74.46	128.78	27.93
Index (1972 = 100)						
1972	100.0	100.0	100.0	100.0	100.0	100.0
1973	102.1	99.5	104.7	74.8	93.7	101.7
1974	108.2	107.2	113.9	87.2	97.5	109.9
1975	120.4	117.9	144.8	97.8	130.3	129.8
1976[1]	126.9	133.9	173.1	115.5	136.0	132.1
1977	146.9	153.8	195.9	127.2	154.6	145.4
1978	117.8	171.8	202.8	129.2	205.9	144.0

[Average U.S. mail revenue yield per U.S. mail ton-mile by carrier group (cents)]

1972	21.95	19.33	38.38	109.59	29.31	20.27
1973	21.98	17.08	34.67	86.16	46.42	19.41
1974	28.14	17.85	50.08	92.31	41.58	20.78
1975	25.90	16.97	49.20	94.73	40.93	27.65
1976[1]	25.49	20.89	48.52	100.62	45.41	26.08
1977	21.69	13.17	36.69	82.30	43.78	20.38
1978	33.55	3.30	108.69	103.20	112.59	28.75
Index (1972 = 100)						
1972	100.0	100.0	100.0	100.0	100.0	100.0
1973	100.1	88.4	90.3	78.6	158.4	95.8
1974	128.2	92.3	130.5	84.2	141.9	102.5
1975	117.9	87.8	128.2	86.4	139.6	136.4
1976[1]	116.1	108.1	126.4	91.8	154.9	128.7
1977	96.8	68.1	95.6	75.1	149.4	100.5
1978	152.8	17.1	283.2	94.2	384.1	141.84

[1]Data for 1976 and subsequent years are 12 months ending June.
[2]Includes data for helicopters, regional and "other carriers."
[3]Computation not meaningful because of diverse carriers included.
[4]Excludes all-cargo carriers.
[5]Freight and express.
[6]Includes international all-cargo carriers.

Source: "Air Carrier Financial Statistics" and "Air Carrier Traffic Statistics."

Table 14.—TRAFFIC TRENDS BY CARRIER GROUP, YEAR ENDED SEPTEMBER 30, 1978[1]

Item and year	Certificated route air carriers (scheduled service)						Charter
	Domestic trunks	Local service, helicopter and other carriers[1]	Inter-Alaskan carriers	Intra-Hawaiian carriers	All-cargo carriers (system)	International trunks	
Revenue passenger-miles (000):							
1972	103,117,970	8,575,543	127,344	449,526	.....	31,969,080	10,006,396
1973	112,020,802	9,464,977	523,855	563,061	.....	35,358,125	10,732,352
1974	118,186,582	10,600,752	548,489	635,473	.....	35,011,689	11,923,491
1975	115,917,448	10,390,702	750,730	643,986	.....	31,319,714	9,411,446
1976	126,445,330	11,235,121	915,683	684,186	.....	32,537,088	8,319,547
1977[1]	137,487,862	13,169,569	894,264	746,356	.....	35,382,503	10,022,205
1978	159,064,345	—	1,044,105	819,637	—	42,060,753	—
Revenue passenger-miles—coach (000):							
1972	90,678,734	1,376,228	.....	.....	.....	29,236,730	.....
1973	98,714,028	452,342	359,889	.....	.....	32,390,338	.....
1974	104,492,491	55,341	370,480	.....	.....	32,170,997	.....
1975	103,377,605	.....	489,516	.....	.....	28,884,583	.....
1976	114,682,963	.....	599,905	.....	.....	30,183,324	.....
1977[1]	126,790,437	.....	574,925	.....	.....	32,892,725	.....
1978	147,687,481	—	699,592	—	—	39,268,426	—
Coach revenue passenger-miles as percent of total revenue passenger-miles:							
1972	87.9	16.0	.....	.....	.....	91.5	.....
1973	88.1	4.8	68.7	.....	.....	91.6	.....
1974	88.4	0.5	67.5	.....	.....	91.9	.....
1975	89.2	.....	65.2	.....	.....	92.2	.....
1976	90.7	.....	65.5	.....	.....	92.8	.....
1977[1]	92.2	.....	64.3	.....	.....	93.0	.....
1978	92.8	—	67.0	—	—	93.4	—
Revenue ton-miles (000):							
1972	13,054,819	961,281	26,566	50,225	1,011,482	4,718,265	1,553,313
1973	14,093,545	1,057,237	80,966	62,202	1,220,681	5,080,023	1,477,047
1974	14,813,264	1,175,833	86,042	70,205	1,401,942	5,170,766	1,600,020
1975	14,416,920	1,138,198	115,493	71,305	1,321,004	4,685,211	1,304,336
1976	15,612,902	1,223,430	130,259	75,984	1,329,150	4,939,134	1,220,240
1977[1]	16,892,099	1,433,454	124,151	82,191	1,377,959	5,200,507	1,321,714
1978	19,207,237	1,716,897	143,138	87,559	1,708,431	6,009,520	

Table 14.—TRAFFIC TRENDS BY CARRIER GROUP, YEAR ENDED SEPTEMBER 30, 1978[1]—Continued

Item and year	Certificated route air carriers (scheduled service)						
	Domestic trunks	Local service, helicopter and other carriers[2]	Intra-Alaskan carriers	Intra-Hawaiian carriers	All-cargo carriers (system)	International trunks	Charter
Cargo ton-miles (000):[3]							
1972	2,094,688	72,514	7,461	4,228	862,713	1,111,254	547,516
1973	2,268,459	79,471	17,799	4,780	1,046,276	1,161,733	403,812
1974	2,383,716	81,466	20,028	5,481	1,225,103	1,332,140	406,671
1975	2,206,225	66,908	27,811	5,723	1,174,098	1,223,878	363,192
1976	2,339,356	67,427	26,169	6,226	1,212,006	1,377,558	388,286
1977[1]	2,460,733	76,702	21,274	6,269	1,244,808	1,368,610	319,493
1978	2,584,244	85,403	23,751	4,499	1,594,122	1,521,710	
U.S. mail ton-miles (000):[4]							
1972	647,947	31,207	6,369	1,044	148,703	399,344	.....
1973	622,602	31,287	10,783	1,116	174,401	372,368	.....
1974	610,087	34,267	11,162	1,176	176,838	327,381	.....
1975	618,029	32,185	12,607	1,185	146,905	318,760	.....
1976	627,781	32,486	12,519	1,339	117,141	296,911	.....
1977[1]	681,297	59,812	13,450	1,286	113,150	282,807	.....
1978	714,959	42,450	14,977	1,096	114,309	270,084	.....
U.S. mail ton-miles as percent of total revenue ton-miles:							
1972	5.0	3.2	24.0	2.1	14.7	8.5	.....
1973	4.4	3.0	13.3	1.8	14.3	7.3	.....
1974	4.1	2.9	13.0	1.7	12.6	6.3	.....
1975	4.3	2.8	10.9	1.7	11.1	6.8	.....
1976	4.0	3.0	9.6	1.8	8.8	6.0	.....
1977[1]	4.0	4.2	10.8	1.6	8.2	5.4	.....
1978	3.7	2.5	10.5	1.3	6.7	4.5	.....

[1]Data for 1976 and subsequent years are 12 months ending June.
[2]"Other carriers" group includes Alaska Airlines for 1972. 1973 through current period reflects carrier in "Intra-Alaska carriers" grouping.
[3]Comprises freight and express.
[4]Includes priority and non-priority mail.
Source: "Air Carrier Traffic Statistics."

Table 15.—AIR CARRIER INVESTMENT AT SEPTEMBER 30, 1971-78

	Asset distribution			Capital distribution						
	Owned operating ground property and equipment	Owned operating flight equipment	Less reserves for depreciation[1]	Total	Stockholder equity (net)		Long-term debt		Total	
	Millions	Millions	Millions	Millions	Millions	Percent of total	Millions	Percent of total	Millions	Percent of total
Certificated route air carriers:										
1971	1,687.6	11,326.1	4,623.3	8,390.4	3,459.8	38	5,685.1	62	9,144.9	100
1972	1,908.4	11,748.8	4,984.1	8,673.1	3,941.8	43	5,302.7	57	9,244.5	100
1973	2,110.3	12,638.9	5,578.8	9,170.4	4,200.9	42	5,722.7	58	9,923.6	100
1974	2,293.7	13,368.5	6,042.8	9,619.4	4,541.6	45	5,583.4	55	10,125.0	100
1975	2,452.7	13,965.2	6,729.6	9,688.3	4,427.6	44	5,665.4	56	10,093.0	100
1976	2,741.7	14,315.5	7,418.2	9,639.0	4,758.8	49	4,927.9	51	9,686.0	100
1977	2,942.5	14,736.1	8,004.4	9,674.2	5,536.6	55	4,572.3	45	10,108.9	100
	Index (1971 = 100)									
Certificated route air carriers:										
1971	100.0	100.0	100.0	100.0	100.0	.....	100.0	.....	100.0	.....
1972	113.1	103.7	107.8	103.4	113.9	.....	93.3	.....	101.1	.....
1973	125.0	111.6	120.7	109.3	121.4	.....	100.7	.....	108.5	.....
1974	135.9	118.0	130.7	114.6	131.3	.....	98.2	.....	110.7	.....
1975	145.3	123.3	145 6	115.5	128.0	.....	99.7	.....	110.4	.....
1976	162.5	126.4	160.5	114.9	137.5	.....	86.7	.....	105.9	.....
1977	174.4	130.1	173.1	115.3	160.0	.....	80.4	.....	110.5	.....
1978	196.2	138.6	186.3	123.8	195.9	.....	77.0	.....	122.0	.....

[1]Includes airworthiness reserves.

NOTE.—Components may not add to totals because of rounding.

Sources: Carrier reports on CAB form 41.

Table 16.—NUMBER OF AIRCRAFT AVAILABLE FOR SERVICE AT DECEMBER 31, 1977[1]

Type of aircraft	Certificated route air carriers	Charter air carriers	Totals
Fixed-wing:			
Turbojet aircraft:			
4-engine:			
Boeing:			
B-707-100/200/300	10	1	11
Convair—CV-880	24	.....	24
Douglas—DC-8-10/20/30	30	6	36
Total 4-engine	64	7	71
Total turbojet	1	.....	1
Other	65	7	72
Turbofan aircraft:[2]			
4-engine:			
Boeing:			
B-707-100B	84	.....	84
B-707-300B	89	.....	89
B-720B	15	.....	15
B-747/747SP	100	.....	100
Douglas:			
DC-8-50	30	5	35
DC-8-61/62/63F	94	20	114
Total 4-engine	412	25	437
3-engine:			
Boeing:			
B-727-100	394	2	396
B-727-200	464	.....	464
Douglas—DC-10/10/20/30/40	122	5	127
Lockheed L-1011	85	.....	85
Total 3-engine	1065	7	1072
2-engine:			
BAC-111	31	.....	31
Boeing—B-737	140	.....	140
Douglas—DC-9-10	62	.....	62
DC-9-30	251	.....	251
DC-9-50	34	.....	34
Euro A-300	4	.....	4
Total 2-engine	522	.....	522
Total turbofan	1999	32	2031
Other turbojet/turbofan	1	2	3
Total turbojet and turbofan	2065	41	2106
Turboprop aircraft:			
4-engine:			
Lockheed—L-188	27	2	29
Total	27	2	29
2-engine:			
Beech-99	2	.....	2
Convair:			
CV-580	89	.....	89
CV-600/640	34	8	42
De Havilland—DCH-6PT6[3]	16	.....	16
Fairchild:			
F-27	9	.....	9
FH-227	24	.....	24
Nihon—YS-11A	23	.....	23
NORD-262	3	.....	3
Swearingen Metroliner	8	.....	8
Total 2-engine	208	.....	208
Total turboprop	235	10	245
Total turbo-powered	2300	51	2351

Table 16.—NUMBER OF AIRCRAFT AVAILABLE FOR SERVICE AT DECEMBER 31, 1977[1]—Continued

Type of aircraft	Certificated route air carriers	Charter air carriers	Totals
Piston aircraft over 12,500 pounds:			
4-engine:			
Douglas—DC-6A/B	3	.....	3
Total 4-engine	3	.....	3
2-engine:			
Convair—CV-340/440	8	1	9
Douglas—DC-3	4	.....	4
Grumman—G-73	1	.....	1
G-44	1	.....	1
G-21A	4	.....	4
Martin—M-404	3	.....	3
Other types	23	1	24
Total 2-engine	44	2	46
Total all types piston	47	2	49
Fixed-wing convertible aircraft:			
Turbofan:			
4-engine:			
Boeing—B-707-300C	58	.....	58
3-engine:			
Boeing—B-727QC	75	.....	75
2-engine:			
Douglas—DC-9-15F	17	.....	17
Total convertible aircraft	150	.....	150
Helicopter:			
2-engine:			
Sikorsky	4	.....	4
Total 2-engine	4	.....	4
Cargo aircraft:			
Turbofan:			
4-engine:			
Douglas:			
DC-8-50F	17	.....	17
DC-8-61/63F	18	1	19
Boeing 747C/F	13	3	16
Total turbofan	48	4	52
Turboprop:			
4-engine:			
Lockheed:			
L-382 (100)	.....	12	12
L-188	.....	18	18
Total 4-engine	.....	.....	30
Total turboprop	.....	30	30
Piston:			
2-engine:			
Curtiss—C-46	1	4	5
Total piston	1	4	5
Total cargo aircraft	49	26	75
Total—all aircraft	2550	91	2641

[1]Owned aircraft only. Data for certified route carriers aircraft leased to others plus aircraft leased from others, with regard to aircraft withdrawn from service for economic, mechanical, or technical reasons, are unavailable.

[2]Figure does not include aircraft under "Fixed-wing convertible aircraft" or "Cargo aircraft." Those aircraft are listed separately in table.

[3]12,500 pounds or less.

Source: Carrier reports on schedule B-43, CAB form 41.

Table 17.—GROWTH OF THE CERTIFICATED AIR CARRIERS[1]

Item and year	All route carriers	Scheduled service of the route carriers: Domestic trunk operations	Local service carriers	International trunks	Other route carriers[2 3]
Yield per revenue passenger-mile (cents):					
1938	5.50	5.12	.....	8.34	(4)
1948	6.30	5.73	5.31	8.01	(4)
1958	5.80	5.58	6.89	6.46	(4)
1968[1]	5.46	5.45	7.56	4.95	(4)
Fiscal year September 1978	8.35	8.14	11.99	7.50	(4)
Overall revenue ton-miles (000):					
1938	N/A	55,296	.....	N/A	N/A
1948	985,938	703,055	8,936	266,821	8,126
1958	3,799,325	2,738,947	84,393	835,349	140,636
1968[1]	15,249,312	9,895,381	582,604	4,294,499	476,828
Fiscal year September 1978	28,872,782	19,207,237	1,704,373	6,009,520	1,951,652
Total available seat-miles (000):					
1938	1,067,793	944,729	.....	116,335	6,729
1948	13,719,959	9,980,163	323,942	3,302,916	112,938
1958	53,115,172	40,695,035	1,793,463	10,391,664	235,010
1968[1]	216,445,751[1]	153,864,640	12,153,586	49,575,001	852,524
Fiscal year September 1978	358,712,304	262,068,116	27,067,008	66,442,573	3,134,607
Total revenue passenger-miles (000):					
1938	533,052	475,600	.....	53,208	4,244
1948	7,870,271	5,840,211	87,928	1,873,627	68,505
1958	31,499,437	24,435,657	820,190	6,123,948	119,640
1968[1]	113,958,321	81,611,832	5,489,224	26,450,644	406,621
Fiscal year September 1978	218,879,112	159,064,345	15,768,423	42,060,753	1,985,591
Coach plus economy revenue passenger-miles (000):					
1938 (Coach service inaugurated late in 1948)	.....	.....	.....	.....	.....
1948	N/A	4,835	.....	N/A	.....
1958	14,176,333	10,044,656	31,104	4,100,573	.....
1968[1]	91,311,074	66,558,092	1,187,851	23,585,131	.....
Fiscal year September 1978	187,655,499	147,687,481	.....	39,268,426	699,592

Revenue passenger origination/enplanements (000):					
1938	1,036	1,168	.....	109	29
1948	14,541	12,324	426	1,447	344
1958	49,169	39,515	4,265	4,428	961
1968[1]	150,151	108,986	22,177	15,728	3,260
Fiscal year September 1978	266,730	190,641	47,141	19,988	8,960
Overall aircraft revenue miles (000):					
1938	76,136	68,543	.....	7,043	550
1948	440,876	316,276	16,279	98,473	9,848
1958	972,987	700,585	72,253	172,713	27,436
1968[1]	2,145,972	1,486,460	211,203	408,136	40,174
Fiscal year 1978	2,472,732	1,786,136	310,739	294,138	81,719
Total passenger revenues (000):					
1938	29,296	24,336	.....	4,435	525
1948	497,121	334,736	4,667	151,751	5,967
1958	1,827,811	1,362,994	56,487	395,604	12,726
1968[1]	6,221,852	4,451,341	414,732	1,309,173	46,606
Fiscal year September 1978	18,270,108	12,953,317	1,890,485	3,153,525	272,781
Coach plus economy passenger revenues (000):					
1938 (Coach service inaugurated late in 1948)	.....	.....	.....	.....	.....
1948	N/A	194	.....	N/A	(4)
1958	N/A	454,308	1,509	229,179	(4)
1968[1]	N/A	3,400,030	64,950	1,096,671	(4)
Fiscal year September 1978	14,417,344	11,581,265	.....	2,773,075	63,004
Average on-line passenger trip length (miles):					
1938	408	407	.....	488	(4)
1948	543	474	206	1,039	(4)
1958	641	618	192	1,383	(4)
1968[1]	759	749	248	1,679	(4)
Fiscal year September 1978	821	834	334	2,104	(4)
Average available seats per aircraft:					
1938	14.2	13.9	.....	16.9	(4)
1948	33.0	33.1	19.9	35.0	(4)
1958	57.0	59.3	24.8	63.7	(4)
1968[1]	107.1	107.8	57.7	135.6	(4)
Fiscal year September 1978	15.1	149.7	87.1	240.8	(4)

See footnotes at end of table.

Table 17.—GROWTH OF THE CERTIFICATED AIR CARRIERS[1]—Continued

Item and year	Scheduled and unscheduled services of all carriers						
	All carriers	All route carriers	Domestic trunk operations	Local service carriers	International trunks	Other route carriers[2]	Charter carriers
Operating property and equipment ($000):							
At Dec. 31, 1938	50,158	50,158	32,956	.....	16,453	748	.....
At Dec. 31, 1948	N/A	526,969	396,513	8,189	119,074	3,193	N/A
At Dec. 31, 1958	N/A	2,365,908	1,859,144	55,337	366,589	84,838	N/A
At Dec. 31, 1968[1]	N/A	10,289,957	7,935,468	661,981	1,299,247	393,261	N/A
At Dec. 31, 1977	10,808,648	10,539,324	9,309,589	797,194	([5])	432,541	269,324
Total assets ($000):							
At Dec. 31, 1938	N/A	N/A	36,032	.....	N/A	538	N/A
At Dec. 31, 1948	N/A	704,981	484,241	12,738	204,904	3,098	N/A
At Dec. 31, 1958	N/A	2,270,375	1,707,118	56,403	408,689	98,165	N/A
At Dec. 31, 1968[1]	N/A	10,992,385	8,106,199	808,674	1,616,891	460,621	N/A
At Dec. 31, 1977	17,328,690	16,868,168	14,712,155	1,415,267	([5])	740,746	460,522
Number of aircraft available for service:							
At Dec. 31, 1938	311	311	233	.....	73	5	.....
At Dec. 31, 1948	1,055	1,055	788	77	175	15	N/A
At Dec. 31, 1958	2,081	1,899	1,256	246	199	198	182
At Dec. 31, 1968[1]	2,638	2,406	1,590	427	198	191	232
At Dec. 31, 1977	2,543	2,441	1,820	449	([5])	172	102
Route miles operated:							
1938	N/A	N/A	35,210	.....	N/A	361	.....
1948	N/A	164,689	54,668	11,346	98,110	565	.....
1958	N/A	244,731	61,953	26,953	140,105	15,720	.....
1968[1]	N/A	286,110	72,692	41,756	153,440	18,222	.....
Fiscal year September 1978	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net income or loss ($000):							
1938	N/A	N/A	−1,067	.....	494	493	.....
1948	N/A	13,199	3,744	−189	9,126	518	N/A
1958		50,396	44,794	1,138	7,608	−3,144	N/A
1968[1]	227,405	210,777	126,521	−28,939	122,957	−9,762	16,628
Fiscal year September 1978	1,284,625	1,263,122	816,658	120,890	269,120	56,454	21,503

Table 17.—GROWTH OF THE CERTIFICATED AIR CARRIERS[1]—Continued

Table 17.—GROWTH OF THE CERTIFICATED AIR CARRIERS[1]—Continued

Item and year	Scheduled and unscheduled services of all carriers						
	All carriers	All route carriers	Domestic trunk operations	Local service carriers	International trunks	Other route carriers[2]	Charter carriers
Total number of employees:							
1938	13,274	13,274	9,008	.....	4,266	.....	.....
1948	N/A	84,608	57,263	2,363	24,315	667	N/A
1958	N/A	152,510	107,857	9,308	29,850	5,495	2,522
1968[1]	299,935	294,133	212,133	25,580	47,262	9,152	5,808
Fiscal year September 1978	[9]	312,468	272,027	33,888	[7]	6,553	[9]
Overall operating revenues ($000):							
1938	57,997	57,997	42,250	.....	15,153	594	.....
1948	N/A	691,878	413,353	14,937	249,840	13,748	N/A
1958	2,309,166	2,243,964	1,513,250	94,993	530,881	104,840	65,202
1968[1]	8,087,427	7,761,773	5,039,441	501,308	1,958,327	262,697	325,654
Fiscal year September 1978	22,838,615	22,301,529	14,985,265	2,205,559	4,182,412	928,293	537,086
Overall operating expenses ($000):							
1938	58,165	58,165	43,317	.....	14,303	545	.....
1948	N/A	674,992	411,278	14,507	235,890	13,317	N/A
1958	2,205,914	2,136,452	1,418,125	93,335	519,604	105,388	69,462
1968[1]	7,522,233	7,239,548	4,719,364	510,518	1,748,327	261,339	282,685
Fiscal year September 1978	21,355,569	20,831,478	14,080,694	2,033,287	3,856,719	860,778	524,091
Operating profit or loss ($000):							
1938	−168	−168	−1,067	.....	850	49	.....
1948	N/A	16,856	2,075	430	13,950	431	N/A
1958	103,252	107,512	95,125	1,658	11,277	−548	−4,260
1968[1]	565,494	522,225	320,077	−9,210	210,000	1,358	42,969
Fiscal year September 1978	1,483,046	1,470,051	904,571	172,272	325,693	67,515	12,995

[1]Data for 1968 and subsequent years are 12 months ending June.
[2]"Other route carriers" comprises the helicopters, intra-Alaska, intra-Hawaii, Aspen, Wright, and all-cargo system.
[3]Excludes the charter carriers.
[4]Computation not meaningful because of diverse carriers included.
[5]Included with domestic.
[6]Excludes those owned aircraft on lease to another carrier.
[7]International trunks employee data are included with domestic. Data for all groups are at June 1978 since data for September 1978 are not available at time of printing.
[9]Employee data for charter carrier reports are required on a calendar year basis only.
Source: "Air Carrier Traffic Statistics" and "Air Carrier Financial Statistics."

Table 18.—AIR CARRIER INDEBTEDNESS (LONG AND SHORT TERM DEBT) BY MAJOR HOLDERS AS OF DECEMBER 31, 1977[12]

[In thousands]

Carriers and Carrier Groups	Total debt	Insurance Companies					
		Total Insurance Companies	Prudential Insurance Company of America	Metropolitan Life Insurance Company	Equitable Life Assurance Society of the United States	Aetna Life Insurance Company	Other Insurance Companies
Trunks:							
American	508,220	290,589	63,819	129,635	21,937	.....	75,198
Braniff	282,428	120,166	32,500	.....	.....	15,000	72,666
Continental	299,651	65,345	.....	.....	.....	20,779	44,566
Delta	238,658	21,000	.....	.....	.....	900	20,100
Eastern	507,098	181,392	58,744	.....	74,844	.....	47,804
National	90,533	.....	.....	.....	.....	.....	.....
Northwest	104,000	3,950	1,500	.....	.....	225	2,225
Pan American	785,180	197,418	44,726	44,398	14,857	10,528	82,909
Trans World	611,300	200,874	22,831	22,831	22,831	33,408	98,973
United	547,300	464,367	154,162	107,032	36,675	13,670	152,828
Western	108,961	45,500	39,625	.....	.....	.....	5,875
Total	4,083,329	1,590,601	417,907	303,896	171,144	94,510	603,144
Local service:							
Allegheny	152,417	10,771	.....	.....	.....	6,833	3,938
Frontier	36,621	.....	.....	.....	.....	.....	.....
Hughes Air West	87,527	.....	.....	.....	.....	.....	.....
North Central	96,159	4,415	.....	.....	.....	1,472	2,943
Ozark	63,199	2,750	.....	.....	.....	1,500	1,250
Piedmont	92,144	18,000	.....	.....	.....	7,303	10,697
Southern	50,938	10,752	.....	.....	.....	.....	10,752
Texas International	44,436	4,776	.....	.....	.....	4,776	.....
Total	623,441	51,464	.....	.....	.....	21,884	29,580

Table 18.—AIR CARRIER INDEBTEDNESS (LONG AND SHORT TERM DEBT) BY MAJOR HOLDERS AS OF DECEMBER 31, 1977[12]

Table 18.—AIR CARRIER INDEBTEDNESS (LONG AND SHORT TERM DEBT) BY MAJOR HOLDERS AS OF DECEMBER 31, 1977[1,2]

[In thousands]

Carriers and Carrier Groups	Total debt	Insurance Companies					
		Total Insurance Companies	Prudential Insurance Company of America	Metropolitan Life Insurance Company	Equitable Life Assurance Society of the United States	Aetna Life Insurance Company	Other Insurance Companies
Alaskan carriers	55,130	10,385	.....	.....	.....	10,385	.....
Hawaiian carriers	50,014	9,302	.....	.....	.....	400	8,902
Other certificated route carriers[3]	14,568	1,097	.....	.....	.....	.....	1,097
All-cargo:							
Airlift	6,277	.....	.....	.....	.....	.....	.....
Flying Tiger	108,346	43,673	.....	.....	19,250	7,125	17,298
Seaboard World	29,845	2,848	.....	.....	.....	.....	2,848
Total	144,468	46,521	.....	.....	19,250	7,125	20,146
Charter[4]							
Evergreen	1,662	.....	.....	.....	.....	.....	.....
McCulloch	1,074	.....	.....	.....	.....	.....	.....
Overseas National	64,842	30,600	.....	.....	.....	.....	30,600
Rich[5]	31	.....	.....	.....	.....	.....	.....
Trans International	23,167	.....	.....	.....	.....	.....	.....
World	2,802	624	.....	.....	.....	.....	624
Zantop[6]	9,060	.....	.....	.....	.....	.....	.....
Total	102,638	31,224	.....	.....	.....	.....	31,224
Grand total	5,073,588	1,740,594	417,907	303,896	190,394	134,304	694,093

See footnotes at end of table 24.

Table 19.—AIR CARRIER INDEBTEDNESS (LONG, AND SHORT TERM DEBT) BY MAJOR HOLDERS AS OF DECEMBER 31, 1976[1 2]

[In thousands]

Carriers and carrier groups	Banks			
	Total banks	Chase Manhattan Bank[7]	Citibank of New York[8]	Other banks[9]
Trunks:				
American	35,403	.....	26,316	9,087
Braniff	51,195	25,905	2,250	23,040
Continental	142,558	127,709	.....	14,849
Delta	146,000	.....	22,392	123,608
Eastern	24,734	6,932	4,243	13,559
National	75,000	7,500	8,813	58,687
Northwest	100,000	13,600	13,600	72,800
Pan American	17,726	4,083	655	12,988
Trans World	59,936	.....	.....	59,936
United	6,400	.....	.....	6,400
Western	.....	.....	.....	.....
Total	658,952	185,729	78,269	394,954
Local service:				
Allegheny	59,619	22,355	.....	37,264
Frontier	6,500	3,250	.....	3,250
Hughes Air West	78,358	.....	.....	78,358
North Central	89,434	.....	46,714	42,720
Ozark	39,849	19,957	.....	19,892
Piedmont	17,527	8,763	.....	8,764
Southern	23,508	.....	.....	23,508
Texas International	15,102	3,311	.....	11,791
Total	329,897	57,636	46,714	225,547
Alaskan Carriers	34,112	.....	.....	34,112
Hawaiian Carriers	35,566	2,638	.....	32,928
Other certificated route carriers[3]	8,695	.....	.....	8,695
All cargo				
Airlift	.....	.....	.....	.....
Flying Tiger	1,450	.....	.....	1,450
Seaboard World	10,000	10,000	.....	.....
Total	11,450	10,000	.....	1,450
Charter[4]				
Evergreen	20	.....	.....	20
McCulloch	.....	.....	.....	.....
Overseas National	19,633	5,614	2,807	11,212
Rich[5]	.....	.....	.....	.....
Trans International	21,666	.....	3,445	18,221
World	.....	.....	.....	.....
Zantop[6]	.....	.....	.....	.....
Total	41,319	5,614	6,252	29,453
Grand total	1,119,991	261,617	131,235	727,139

See footnotes at end of table 24.

Table 20.—AIR CARRIER INDEBTEDNESS (LONG AND SHORT TERM DEBT) BY MAJOR HOLDERS AS OF DECEMBER 31, 1977[1 2]

[In thousands]

Carriers and carrier groups	Total airline suppliers	Other identified				
		Total other identified	Cede and Company[11]	Lazard Brothers Company Ltd.	Other identified holders[11]	Unidentified as to holder[1]
Trunks:						
American	8,552	112,340	23,333	.....	89,007	61,336
Braniff	.....	87,725	8,671	.....	79,054	23,342
Continental	55,696	2,037	.....	.....	2,037	34,015
Delta	97	60,523	2,351	53,361	4,811	11,038
Eastern	.....	156,272	35,183	91,509	29,580	144,700
National	15,533	.....	.....	.....	.....	.....
Northwest	.....	50	.....	.....	50	.....
Pan American	.....	230,994	124,202	.....	106,792	339,042
Trans World	.....	222,601	100,189	56,313	66,099	127,889
United	.....	62,484	.....	.....	62,484	14,049
Western	15,362	24,849	9,511	.....	15,338	23,250
Total	95,240	959,875	303,440	201,183	455,252	778,661
Local service:						
Allegheny	28,669	23,604	.....	.....	23,604	29,754
Frontier	.....	6,712	1,338	.....	5,374	23,409
Hughes Air West	6,250	266	.....	.....	266	2,653
North Central	.....	.....	.....	.....	.....	2,310
Ozark	.....	5,456	3,726	.....	1,730	15,144
Piedmont	1,188	38,123	.....	.....	38,123	17,306
Southern	.....	11,696	.....	.....	11,696	4,982
Texas International	4,776	2,427	.....	.....	2,427	17,355
Total	40,883	88,284	5,064	.....	83,220	112,913
Alaskan carriers	.....	6,426	.....	.....	6,426	4,207
Hawaiian carriers	.....	5,146	.....	.....	5,146	.....
Other certificated route carriers[3]	.....	4,734	.....	.....	4,734	42
All-cargo:						
Airlift	.....	.....	.....	.....	.....	6,277
Flying Tiger	1,791	43,687	3,411	.....	40,276	17,745
Seaboard World	.....	.....	.....	.....	.....	16,997
Total	1,791	43,687	3,411	.....	40,276	41,019
Charter[4]:						
Evergreen	.....	1,642	.....	.....	1,642	.....
McCulloch	.....	820	.....	.....	820	254
Overseas National	2,351	9,157	.....	.....	9,157	3,101
Rich[5]	.....	.....	.....	.....	.....	31
Trans International	.....	554	.....	.....	554	947
World	.....	2,178	.....	.....	2,178	.....
Zantop[6]	.....	.....	.....	.....	.....	9,060
Total	2,351	14,351	.....	.....	14,351	13,393
Grand total	140,265	1,122,503	311,915	201,183	609,405	950,235

See footnotes at end of table 24.

Table 21.—PERCENT OF INDIVIDUAL CARRIERS DEBT HELD BY VARIOUS HOLDING GROUPS AS OF DECEMBER 31, 1977

Carriers and carrier groups	Total debt	Various holding groups: Total insurance companies	Total banks	Total airline suppliers	Total other identified[11]	Total unidentified[1]
Trunks:						
American	100.0	57.2	7.0	1.7	22.1	12.0
Braniff	100.0	42.5	18.1	.....	31.1	8.3
Continental	100.0	21.8	47.6	18.6	0.7	11.3
Delta	100.0	8.8	61.2	*	25.4	4.6
Eastern	100.0	35.8	4.9	.....	30.8	28.5
National	100.0	.....	82.8	17.2	.....	.....
Northwest	100.0	3.8	96.2	.....	*	.....
Pan American	100.0	25.1	2.3	.....	29.4	43.2
Trans World	100.0	32.9	9.8	.....	36.4	20.9
United	100.0	84.8	1.2	.....	11.4	2.6
Western	100.0	41.8	.....	14.1	22.8	21.3
Total	100.0	39.0	16.1	2.3	23.5	19.1
Local service:						
Allegheny	100.0	7.1	39.1	18.8	15.5	19.5
Frontier	100.0	.....	17.7	.....	18.3	63.9
Hughes Air West	100.0	.....	89.5	7.2	0.3	3.0
North Central	100.0	4.6	93.0	.....	.....	2.4
Ozark	100.0	4.3	63.1	.....	8.6	24.0
Piedmont	100.0	19.5	19.0	1.3	41.4	18.8
Southern	100.0	21.1	46.1	.....	23.0	9.8
Texas International	100.0	10.7	34.0	10.7	5.5	39.1
Total	100.0	8.3	52.9	6.5	14.2	18.1
Alaskan Carriers	100.0	18.8	61.9	.....	11.7	7.6
Hawaiian carriers	100.0	18.6	71.1	.....	10.3	.....
Other certificated route carriers[3]	100.0	7.5	59.7	.....	32.5	0.3
All-cargo:						
Airlift	100.0	.....	.....	.....	.....	100.0
Flying Tiger	100.0	40.3	1.3	1.7	40.3	16.4
Seaboard World	100.0	9.5	33.5	.....	.....	57.0
Total	100.0	32.2	8.0	1.2	30.2	28.4
Charter[4]						
Evergreen	100.0	.....	1.2	.....	98.8	.....
McCulloch	100.0	.....	.....	.....	76.4	23.6
Overseas National	100.0	47.2	30.3	3.6	14.1	4.8
Rich[5]	100.0	.....	.....	.....	.....	100.0
Trans International	100.0	.....	93.5	.....	2.4	4.1
World	100.0	22.3	.....	.....	77.7	.....
Zantop[6]	100.0	.....	.....	.....	.....	100.0
Total	100.0	30.4	40.3	2.3	14.0	13.0
Grand total	100.0	34.3	22.1	2.8	22.1	18.7

See footnotes at end of table 24.

Table 22.—TOP 25 HOLDERS OF LONG- AND SHORT-TERM DEBT, DECEMBER 31, 1977

[In thousands]

Holder	Total Held	Percent of Total Held	Debt Number of Carriers
Prudential Insurance Company of America	417,907	8.2	8
Cede and Company[10]	311,915	6.1	10
Metropolitan Life Insurance Company	303,896	6.0	4
Chase Manhattan Bank	261,617	5.2	14
Lazard Brothers and Company, Ltd	201,183	4.0	3
Equitable Life Assurance Society of the U.S	190,394	3.8	6
Aetna Life Insurance Company	134,304	2.6	15
Citibank of New York	131,234	2.6	10
John Hancock Mutual Life Insurance Company	87,777	1.7	4
Continental Illinois National Bank and Trust Company	83,577	1.6	6
Connecticut General Life Insurance Company	83,448	1.6	12
Bank of America NTSA	75,051	1.5	6
New York Life Insurance Company	74,170	1.5	4
Travelers Insurance Company	72,975	1.4	9
McDonnell-Douglas Corporation	49,724	1.0	5
First National Bank of Chicago	48,911	1.0	5
Boeing Company	46,930	0.9	5
Manufacturers Hanover Trust Company	45,525	0.9	7
Morgan Guaranty Trust Company of New York	43,309	0.9	7
New England Mutual Life Insurance Company	40,874	0.8	10
Reing and Company[10]	39,799	0.8	5
American Fletcher National Bank and Trust Company	37,568	0.7	3
Mutual Life Insurance Company of New York	34,230	0.7	3
Bankers Trust Company of New York	32,887	0.6	5
Northwestern Mutual Life Insurance Company	32,603	0.6	7
All Others	2,191,780	43.2	40
Total	5,073,588	100.0	44

See footnotes at end of table 24.

Table 23.—MAJOR HOLDER OF INDIVIDUAL CARRIER'S DEBT, DECEMBER 31, 1977

Carrier	Name of holder	Amount Held (000)	Percent of carrier debt
Trunks:			
American	Metropolitan Life Insurance Company	129,635	25.5
Braniff	Prudential Insurance Company of America	32,500	11.5
Continental	Chase Manhattan Bank	127,709	42.6
Delta	Lazard Brothers and Company, Ltd.	53,361	22.4
Eastern	Lazard Brothers and Company, Ltd.	91,509	18.0
National	Chemical Bank of New York	20,625	22.8
Northwest	Bankers Trust Company/Chase Manhattan Bank/Citibank of New York[12]	13,600	13.1
Pan American	Cede and Company[10]	124,202	15.8
Trans World	Cede and Company[10]	100,189	16.4
United	Prudential Insurance Company of America	154,162	28.2
Western	Prudential Insurance Company of America	39,625	36.4
Local Service:			
Allegheny	Chase Manhattan Bank	22,355	14.7
Frontier	Chase Manhattan Bank/First National Bank of Chicago[13]	3,250	8.9
Hughes Air West	Bank of America NTSA	42,290	48.3
North Central	Citibank of New York	46,714	48.6
Ozark	Chase Manhattan Bank	19,957	31.6
Piedmont	State of California Pooled Money Investment Account	22,619	24.5
Southern	First National Bank of Chicago	23,508	46.2
Texas International	U.S. Trust Company of New York	10,953	24.6
Other Certificated Route Carriers:			
Airlift	[14]		
Air Micronesia	[15]		
Air Midwest	United Jersey Bank	3,140	60.8
Air New England	Delta Air Lines	3,196	50.6
Alaska	Aetna Life Insurance Company	10,385	39.5
Aloha	Continental Illinois National Bank and Trust Company	17,924	85.1
Aspen	Central Bank and Trust Company	1,080	100.0
Flying Tiger	Equitable Life Assurance Society of the U.S.	19,250	17.8
Hawaiian	American Fletcher National Bank and Trust Company	11,869	41.0
Kodiak	Mr. Robert L. Hall	159	20.8
Munz	Manufacturers Hanover Leasing Corporation	1,082	79.3
New York Airways	[16]		
Reeve	[17]		
Seaboard World	Chase Manhattan Bank	10,000	33.5
Wein Air Alaska	Seattle First National Bank	8,115	30.4
Wright	Union Commerce Bank	1,775	88.7
Charter:			
Capitol	[4]		
Evergreen	Northwest Acceptance Corporation	1,643	98.9
McCulloch	FGH Financial Corporation	820	76.4
Modern	[4]		
Overseas National	Travelers Insurance Company	11,900	18.4
Rich	[5]		
Trans International	Bank of America NTSA	8,190	35.4
World	California Leasing Associates	1,731	61.8
Zantop	[6]		

See footnotes at end of table 24.

Table 24.—THE IMPORTANCE OF CONVERTIBLE DEBT# AS OF DECEMBER 31, 1977 BY INDIVIDUAL CARRIER

Carriers and carrier groups	Total debt including convertible debt: Total debt and equity (000)[18]	Convertible debt: Total (000)	Convertible debt: As a percent of total debt	Convertible debt: As a percent of total debt and equity	Total debt excluding convertible debt as a percent of total debt and equity
Trunks:					
American	1,310,231	508,220	38.8	172,239	13.1	33.9	25.6
Braniff	498,548	282,428	56.7	.....	.....	.....	56.7
Continental	478,366	299,651	62.6	41,491	8.7	13.8	54.0
Delta	912,847	238,658	26.1	18,700	2.0	7.8	24.1
Eastern	890,603	507,098	56.9	165,650	18.6	32.7	38.3
National	283,830	90,533	31.9	.....	.....	.....	31.9
Northwest	851,672	104,000	12.2	.....	.....	.....	12.2
Pan American	1,145,693	785,180	68.5	368,773	32.2	47.0	36.3
Trans World	1,143,316	611,300	53.5	249,988	21.9	40.9	31.6
United	1,311,128	547,300	41.7	.....	.....	.....	41.7
Western	263,083	108,961	41.4	28,055	10.7	25.7	30.8
Total	9,089,317	4,083,329	44.9	1,044,896	11.5	25.6	33.4
Local Service:							
Allegheny	237,080	152,417	64.3	37,074	15.6	24.3	48.7
Frontier	106,780	36,621	34.3	29,147	27.3	79.6	7.0
Hughes Air West	195,311	87,527	44.8	.....	.....	.....	44.8
North Central	165,439	96,159	58.1	690	0.4	0.7	57.7
Ozark	99,006	63,199	63.8	20,523	20.7	32.4	43.1
Piedmont	123,110	92,144	74.8	17,307	14.1	18.8	60.8
Southern	72,319	50,938	70.4	9,307	12.9	18.3	57.6
Texas International	59,773	44,436	74.3	.....	.....	.....	76.3
Total	1,058,818	623,441	58.9	114,048	10.8	18.3	48.1
Other Certificated Route Carriers							
Airlift	11,054	6,277	56.8	4,865	44.0	77.5	12.8
Air Micronesia	244	[15]	.....	.....	.....	.....	.....
Air Midwest	4,931	5,164	104.7	.....	.....	.....	104.7
Air New England	8,306	6,322	76.1	.....	.....	.....	76.1

Table 24.—THE IMPORTANCE OF CONVERTIBLE DEBT# AS OF DECEMBER 31, 1977 BY INDIVIDUAL CARRIER—Continued

Carriers and carrier groups	Total debt including convertible debt: Total debt and equity (000)[18]	Total debt including convertible debt: Total (000)	Total debt including convertible debt: As a percent of total debt and equity	Convertible debt: Total (000)	Convertible debt: As a percent of total debt	Convertible debt: As a percent and equity	Total debt excluding convertible debt as a percent of total debt and equity
Other certificated route carriers—Continued							
Alaska	46,159	26,265	56.9	2,978	6.5	11.3	50.4
Aloha	30,543	21,059	68.9	.....	.....	.....	68.9
Aspen	2,147	1,080	50.3	.....	.....	.....	50.3
Flying Tiger	260,446	108,346	41.6	.....	.....	.....	41.6
Hawaiian	41,009	28,955	70.6	2,579	6.3	8.9	64.3
Kodiak	657	763	116.1	.....	.....	.....	116.1
Munz	1,624	1,365	84.1	.....	.....	.....	84.1
New York Airways	[16]	.....	.....	.....	.....	.....	.....
Reeve	7,943	[17]	.....	.....	.....	.....	.....
Seaboard World	86,511	29,845	34.5	16,997	19.6	57.0	14.9
Wein Air Alaska	48,620	26,738	55.0	.....	.....	.....	55.0
Wright	3,528	2,002	56.7	.....	.....	.....	56.7
Total	553,722	264,180	47.7	27,419	5.0	10.4	42.8
Charter							
Capitol	13,328	[4]	.....	.....	.....	.....	.....
Evergreen	5,189	1,662	32.0	.....	.....	.....	32.0
McCulloch	(1,828)	1,074	@	.....	.....	.....	@
Modern	(16,157)	[4]	@	.....	.....	.....	@
Overseas National	79,009	64,842	82.1	5,832	7.4	9.0	74.7
Rich	421	31	7.4	.....	.....	.....	7.4
Trans International	99,452	23,167	23.3	.....	.....	.....	23.3
World	113,642	2,802	2.5	.....	.....	.....	2.5
Zantop	13,129	9,060	69.0	.....	.....	.....	69.0
Total	306,185	102,638	33.5	5,832	1.9	5.7	31.6
Grand Total	11,008,042	5,073,588	46.1	1,192,195	10.8	23.5	35.3

See footnotes following this table.

FOOTNOTES FOR TABLES 18 THROUGH 24

[1]Under Board reporting requirements, only debt issues of 5 percent of a carrier's total outstanding debt must be reported in detail. Of the debt reported in detail, identification is required only of those holding 5 percent of the issue or $500,000, whichever is smaller. Thus, "unidentified" represents the difference between total debt (Accounts 2000, 2005, 2015, and 2210) per schedule B-1 and debt identified by holder per schedule B-46.

[2]Major lenders include those holding air carrier debt of $100 million or more.

[3]Includes Air Micronesia, Air Midwest, Air New England, Aspen, New York Airways, and Wright.

[4]Capitol and Modern had no non-trade debt as of December 31, 1977.

[5]Rich International inaugurated service on April 17, 1977. Rich has not yet filed a schedule B-46 for December 1977.

[6]Zantop International inaugurated service on October 1, 1977. Zantop has not yet filed a schedule B-46 for December 1977.

[7]In addition to the amount listed, $31,783,975 is held by others as nominee for the Chase Manhattan Bank.

[8]In addition to the amount listed, $9,554,000 is held by others as nominee for the Citibank of New York.

[9]Included in "other banks" is Morgan Guaranty Trust Company. Morgan Guaranty holds $43,308,800 and an additional $90,817,300 is held by others for Morgan.

[10]Major nominee company.

[11]Includes brokers, investment bankers, pension funds, trusts, air carriers, corporate and individual investor holdings, both individual holdings and holdings as trustee and/or as agent.

[12]Each bank holds $13,600,000.

[13]Each bank holds $3,250,000.

[14]Airlift had no identified debt holders.

[15]Air Micronesia had no non-trade debt as of December 31, 1977.

[16]New York Airways has not filed schedules B-1 and B-46 for December 1977, to date.

[17]Reeve had no non-trade debt as of December 31, 1977.

[18]Total of Accounts 2000, 2005, 2210, and 2295.

[19]According to reported data, insurance debt increased only 0.25 percent in 1977. However, some insurance debt (approximately $57 million) was reported in 1977 that was held but not separately identified as insurance debt in 1976 because of the Board's reporting requirements (See footnote 1). If this insurance debt had been reported as in 1976, then the 1977 insurance holdings would have declined 3.05 percent compared to that reported in 1976.

#Convertible debt or debt with warrants attached.

@Calculation cannot be made because of negative or zero data.

*Less than .1 percent.

NOTE::—Totals may not add due to rounding.

SOURCE: CAB Form 41, Schedules B-1 and B-46.

Table 25.—U.S. CERTIFICATED CARRIERS

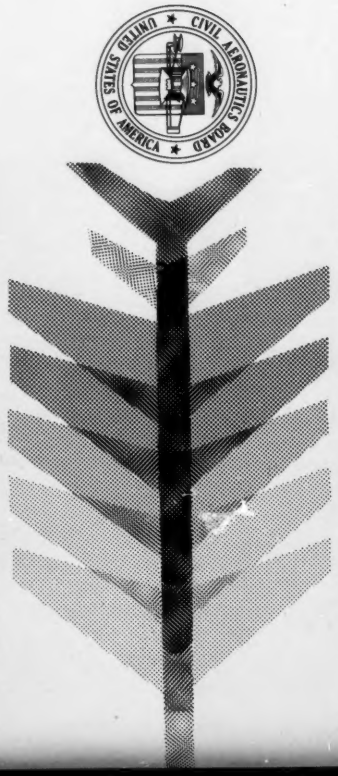
Airlines (Domestic) (Includes Alaskan and Hawaiian mileages on domestic routes)	Original authorization	Original Points	Original Route mileage	Points Sept. 30, 1978	Route Mileage Sept. 30, 1978
Trunkline carriers:					
Alaska Airlines	July 24, 1951	3	1,665	9	4,906
American Airlines	July 22, 1938	59	6,826	50	43,755
Braniff Airways	July 22, 1938	21	2,543	41	23,540
Continental Air Lines	July 22, 1938	8	624	34	27,928
Delta Air Lines	July 22, 1938	13	1,091	81	50,380
Eastern Air Lines	July 22, 1938	42	5,276	74	43,576
National Airlines	July 22, 1938	13	871	35	8,425
Northwest Airlines	July 22, 1938	21	2,507	43	30,927
Pan American	Jan. 3, 1977	2	632	2	632
Trans World Airlines	July 22, 1938	27	5,749	42	29,127
United Air Lines	July 22, 1938	38	5,321	89	48,709
Western Air Lines	July 22, 1938	12	1,237	38	4,563(4)
Local service, intra-Alaska, and Hawaiian Carriers:					
Air Midwest	Nov. 14, 1976	11	896	12	961
Air New England	Jan. 24, 1975	13	797	14	840
Air Wisconsin(6)	Sept. 6, 1978	11	1,206	11	1,206
Alaska Airlines	Dec. 5, 1942	(1)	(1)	43	4,906
Allegheny Airlines	Jan. 11, 1949	22	1,954	88	8,304
Aloha Airlines	Apr. 18, 1949	8	402	8	494
Colonial(2)(6)	Aug. 22, 1978	3		3	
Frontier Airlines	Mar. 28, 1946	38	3,110	104	17,968
Hawaiian Airlines	Aug. 22, 1938	6	356	9	400
Hughes Air Corp. (d.b.a.) Hughes Airwest	Apr. 17, 1968	77	9,376	63	9,370
Kodiak-Western Alaska Airlines	Sept. 8, 1960	21	331	45	1,250
Midway (2)(6)	Sept. 6, 1978	7	1,943	7	1,943
Midway (Southwest)(2)(6)	Sept. 6, 1978	7	1,943	7	1,943
Munz Northern Airlines	Jan. 1, 1976	6	291	6	291
North Central Air Lines	Oct. 3, 1947	35	1,704	75	10,297
Ozark Air Lines	Sept. 26, 1950	38	2,488	52	7,579
Pan American World Airways	Aug. 22, 1938	60	25,144	15	25,406
Piedmont Aviation	Dec. 12, 1947	28	1,913	52	5,286
Reeve Aleutian Airways	Apr. 8, 1948	(1)	(1)	19	3,281
Southern Airways	Feb. 8, 1948	23	1,332	55	14,281
Texas International Airlines	Nov. 14, 1946	28	1,824	49	7,078
Wien Air Alaska	Dec. 5, 1942	(1)	(1)	121	8,965
Helicopters:					
Chicago(5)	Jan. 23, 1949	41	308	–	–
New York	Mar. 12, 1952	47	156	5	139
Cargo:					
Airlift	Jan. 20, 1956	25	3,822	21	8,453
Flying Tiger	July 29, 1969	18	10,991	15	3,950
Seaboard	Aug. 15, 1955	9	3,216	9	3,216
Other					
Aspen	Mar. 9, 1967	2	112	2	112
Wright	Mar. 16, 1972	2	92	3	215

See footnotes at end of table.

Table 25.—U.S. CERTIFICATED CARRIERS—Continued

Airlines (International)	Original authorization	Original points	Original route mileage	Points Sept. 30, 1978	Route mileage Sept. 30, 1978
Air Micronesia	Oct. 5, 1971	17	14,529	17	14,561
Alaska Airlines, Inc.	Feb. 1, 1968	2	115	4	205
Allegheny Airlines	May 24, 1967	2	115	9	1,403
American Airlines	Apr. 16, 1942	5	1,539	34	27,730
Braniff Airways	May 22, 1946	16	7,591	28	62,587
Continental Air Lines	Oct. 5, 1971	17	14,529	19	18,751
Delta Air Lines	May 22, 1946	11	3,693	22	13,084
Eastern Air Lines	May 22, 1946	4	1,957	53	27,387
Frontier Airlines	May 13, 1975	3	486	9	4,082
Hughes Air Corp., (d.b.a.)					
Hughes Airwest	Apr. 17, 1968	8	1,393	12	6,603
National Airlines	July 21, 1951	3	439	6	9,125
North Central Airlines	Nov. 5, 1960	3	262	5	1,380
Northwest Airlines	July 13, 1946	16	14,641	29	36,565
Pan American World Airways	Aug. 22, 1938	60	25,144	[3]149	246,479
Southern Airways	Aug. 14, 1976	2	452	2	452
Texas International Airlines	Aug. 17, 1966	5	637	7	3,085
Trans World Airlines	July 5, 1945	22	20,539	[3]60	123,895
United Air Lines	June 29, 1946	2	128	4	5,016
Western Air Lines	May 22, 1946	2	449	14	7,017
Wein Air Alaska	Oct. 9, 1963	5	1,375	5	1,375
Cargo:					
Airlift	Sept. 30, 1966	4	2,203	4	2,203
Flying Tiger	July 29, 1969	18	10,991	22	15,721
Seaboard	Aug. 15, 1955	19	14,825	[3]44	16,293

[1]Not available
[2]Permissive authority—service not inaugurated
[3]Approved service plan
[4]Reflects linear route mileage of Route 19 after consolidation of points in routes 19, 28, 35, 63 and 139 into a single segment.
[5]Not operating
[6]Regional feeder

CHARTER AIR CARRIERS
Capitol Internatinal Airways, Inc.
Evergreen International Airlines, Inc.
McCullouch International Airlines, Inc.
Modern Airways, Inc.
Overseas National Airways, Inc.
Rich International Airlines, Inc.
Southern Air Transport, Inc.
Trans International Airlines, Inc.
World Airways, Inc.
Zantop International Airlines, Inc.

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